FINANCIAL TIMES

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MONDAY NOVEMBER 27 1995

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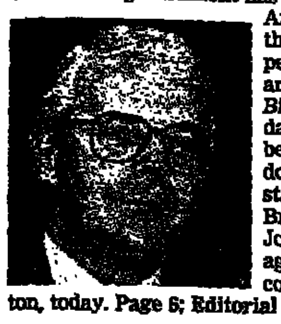
Talks fail to bring Anglo-Irish summit before Clinton visit



The British government has abandoned hope of an Anglo-Irish summit on the Northern Ireland peace process before the arrival of US President *Bill Clinton* on Wednesday. A weekend of talks between Dublin and London failed to resolve outstanding issues, although British prime minister, John Major (left), will again contact his Irish counterpart, John Bruton, today. Page 6; Editorial *Comment*, Page 15

French unions plan more strikes: French unions will tomorrow mount a second wave of national strikes and protests against welfare reforms, which the government said could be subject to minor *modification*. Page 14 and Lex

Grupo Sol plans flotation: Spain's biggest hotel company and the third-largest hotel chain in Europe, Grupo Sol Meliá, is *considering a stock* market flotation to finance development. Page 17

Berlusconi probe stepped up: The political future of former Italian *prime minister* Silvio Berlusconi grew increasingly uncertain as magistrates *stepped up investigations into alleged* irregularities in his Fininvest empire. Page 2

Kvaerner, the Norwegian shipbuilder, offshore constructer and engineering group, appears likely to launch a full bid for Amec, the British construction company in which it has a 12 per cent stake. Page 17

US banks warned on bonus payments: A US banking regulator is planning to issue guidelines regarding the size of bonuses paid to derivatives and other traders prompted by the heavy losses suffered by both Barings and Daiwa Bank, caused by the actions of single traders who ran up $1bn losses. Page 5

Eurotunnel shareholders meet: The first meeting of a newly-created committee of shareholders in Eurotunnel, the *Anglo-French* operator of the cross-Channel rail link, is due to be held in Paris today. Page 16

Skanska, *Sweden's biggest construction group, is* confident of winning contracts worth about $1bn for two bridges which make up the main section of the first fixed road and rail link between Sweden and Denmark. Page 19

Iraq pressed on aid payments: Iraq is facing increasing pressure to accept a UN offer of a limited oil sale to pay for food and humanitarian supplies, after rejecting a resolution which would allow the sale of up to $2bn of oil over six months. Page 5

Hanson, the Anglo-US conglomerate, is expected *to hold its* dividend when it announces annual profits, likely to show little change from the previous year's £1.35bn (*$2.1bn*), *on Thursday*. Page 17

Fuji battles slow sales: Japanese photographic products maker Fuji Film reported pre-tax profits of Y65.8bn (*$649m*) *for the six months* to September 30 despite sluggish sales. Page 19

Countries build Burma ties: Several European countries, *including* the UK, France and Germany, are promoting trade and investment with Burma despite official EU and UN condemnation of *the* regime's poor human rights record. Page 4

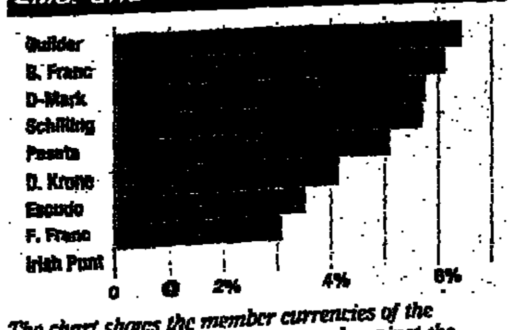
Singapore Telecom, the island's largest company, has reported a 9.4 per cent rise in *pre-tax* profits to S$985m (US$697m) for the six months ended September 30. Page 19

Salinas's brother faces new charges: Raúl Salinas, the elder brother of former Mexican president Carlos Salinas, was *told by federal prosecutors* that he faced charges of forgery and illicit enrichment on top of murder charges which have kept him in jail since February. Page 5

Cricket fans die in stand collapse: Nine spectators died and 50 were injured in *Nagpur*, India, when a stadium wall gave way during a one-day international cricket match between India and New Zealand. The organisers, fearing a riot if the match was suspended, allowed play to continue.

European Monetary System: The spread between strongest and weakest currencies in the EMS grid widened slightly last week and the Irish *punt* recovered some ground, helped by a firmer pound, but their order was unchanged after a quiet week on the *foreign* exchanges. This week the focus will be on the Bundesbank council meeting on Thursday, where interest rates may be cut. Currencies, Page 25

EMS: Grid November 24, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Row puts Emu timetable at risk

Ministers seek to end Franco-German dispute on cut-off date for entry criteria

By Lionel Barber in Brussels

European Union finance ministers will today seek to *resolve a dispute between France* and Germany which risks jeopardising the timetable for the planned introduction of the single European currency on January 1, 1999.

At issue is the date when EU heads of government decide which countries meet the Maastricht treaty's entry criteria for monetary union, and the degree to which Germany trusts its partners to deliver accurate data.

Senior *diplomats said it was* the most difficult issue to be settled at today's ministerial meeting in Brussels, which is supposed to prepare for agreement on a "master plan" for transition to the single currency, most likely to be called the Euro, at next month's EU summit in Madrid.

France is pressing for selection of *Emu* qualifying countries well in advance of its March 1998 parliamentary elections, preferably at the end of 1997 or early in 1998. The fear in Paris is that French nationalists could turn Emu participation into an election issue.

But Germany is insisting the 15 EU heads of governments delay their decision on interpreting the *Maastricht criteria* until late spring 1998 so it is based on *actual 1997 economic data* instead of forecasts or quarterly results.

Mr Theo Waigel, German finance minister, is understood to be holding out for an extra three to five months after the end of 1997, to be sure that data, specifically on budget deficits and government debt, are reliable.

*Yet such a delay could jeopard*ise an already tight timetable for Emu set down in a blueprint by the European Monetary Institute, precursor of the future European Central Bank.

This blueprint suggests the ECB will need around 12 months to prepare to set up operations, choose personnel, and then lock exchange rates *among* participating countries in Emu. The new *Eurocurrency is due to be phased* in over a period of up to three-*and-a-half years* to 2002.

Senior EU diplomats played down the disagreement between Bonn and Paris which they said reflected difficult domestic political calculations, particularly in Germany where a majority of the population are sceptical or hostile to giving up the D-Mark.

One possible compromise is that ministers will instruct the European *Commission* to compare its current assessment of economic data for 1995 with a second review in, say, March 1996. If the differences are negligible, officials believe this may assuage German fears about "massaged" data.

Alternatively, EU central bankers could be asked to reduce their *12-month timetable for setting* up operations, while EU heads of government could order the locking of exchange rates among participating countries in advance of January 1, 1999. The Bundesbank and the German finance ministry – strongly supported by UK – have argued that there should be no compulsion on banks and financial institutions to use the single currency. But the Commission is anxious the first phase of Emu *should send a signal* that the process is irreversible.

Today's finance ministers' meeting is the first chance to dis*cuss Germany's proposal for a* "stability pact" for enforcing budgetary *discipline* among member states taking part in monetary union, including draconian fines.

Ministers will also discuss the relationship between Emu "ins" and "outs" amid intense debate inside the Commission over whether to introduce coercive measures to encourage convergence toward the Maastricht treaty's criteria.

Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, is pressing proposals for tighter curbs on state aid for those outside monetary union, bolstered by the impounding of EU regional aid for those running excessive budget deficits.

Plea to Bundesbank on short-term debt, Page 2
EU aims to banish trade/aid dilemma, Page 4
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Cuba to revive 'evil' tax dumped in revolution

By Pascal Fletcher in Havana

Cuba, which abolished personal taxes as a "capitalist evil" after the 1959 *revolution*, has told its citizens they will have to pay income *tax on hard currency* earnings from January 1.

The government has also announced a tax on boats, whatever their size, and road tolls on two highways leading to tourist centres.

The finance ministry announcement, made at the *weekend, is a further signal* for Cuba's 11m people that the tax-free society they have enjoyed for nearly 30 years under socialist rule is coming to an end.

Squeezed by a shortage of hard currency, the Cuban government has opted for a gradual and selective introduction of taxes to boost state revenues as the economy struggles to emerge from a five-year recession triggered by the collapse of trade and aid ties with the former Soviet bloc.

The government said the taxes aimed to achieve a "fair redistribution" of wealth in society, a recognition of the social inequalities *which have already* emerged as Cuba embraces cautious, but far-reaching, economic reforms. The revenues were needed to maintain Cuba's free public health and education services – features of the island's one-party *socialist system*.

The new income tax targets the growing group of privileged Cubans who earn or receive hard currency, for example, artists, musicians, athletes, Cuban employees of foreign embassies and companies and self-employed artisans. Remittances and dona*tions will be exempted*. The authorities said they were also preparing a tax in Cuban pesos for the more than 200,000 self-employed workers who form the island's fledgling private sector.

Many Cubans are already complaining about the tax, which will range from 10 to 50 per cent *according to the level of hard* currency income.

"It's pretty tough. I can only spend the hard currency I earn in

Continued on Page 16

Castro makes belated pilgrimage *to Beijing*, Page 4

Perry gives warning on US troops after Serb challenge

By Bruce Clark in Washington

Mr William Perry, US defence *secretary, warned yesterday that* the US would not send soldiers to Bosnia if the Bosnian Serbs or any other important party remained opposed to the agreement signed in Dayton, Ohio last week.

He was speaking after a weekend *in which residents of the* Serb-held suburbs of Sarajevo staged rallies against the Dayton accord, which would place the whole of the Bosnian capital under the authority of the republic's Moslem-led government.

The Serb protests have posed a challenge to the Clinton adminis*tration as it prepares to convince* a sceptical nation that US soldiers should be deployed to help implement the Dayton agreement between the leaders of Serbia, Bosnia and Croatia.

Serbian President Slobodan *Milosevic*, who was authorised to speak for the Bosnian Serbs at the *Dayton talks, has* endorsed the Dayton accords unequivocally, but the attitude of his fellow Serbs in Bosnia remains less clear. President Bill Clinton will launch the bid to convince his nation and Congress in a tele*vised address today*.

"I think the president has a lot *of work to do*," said *one influential* Republican legislator, Senator John McCain.

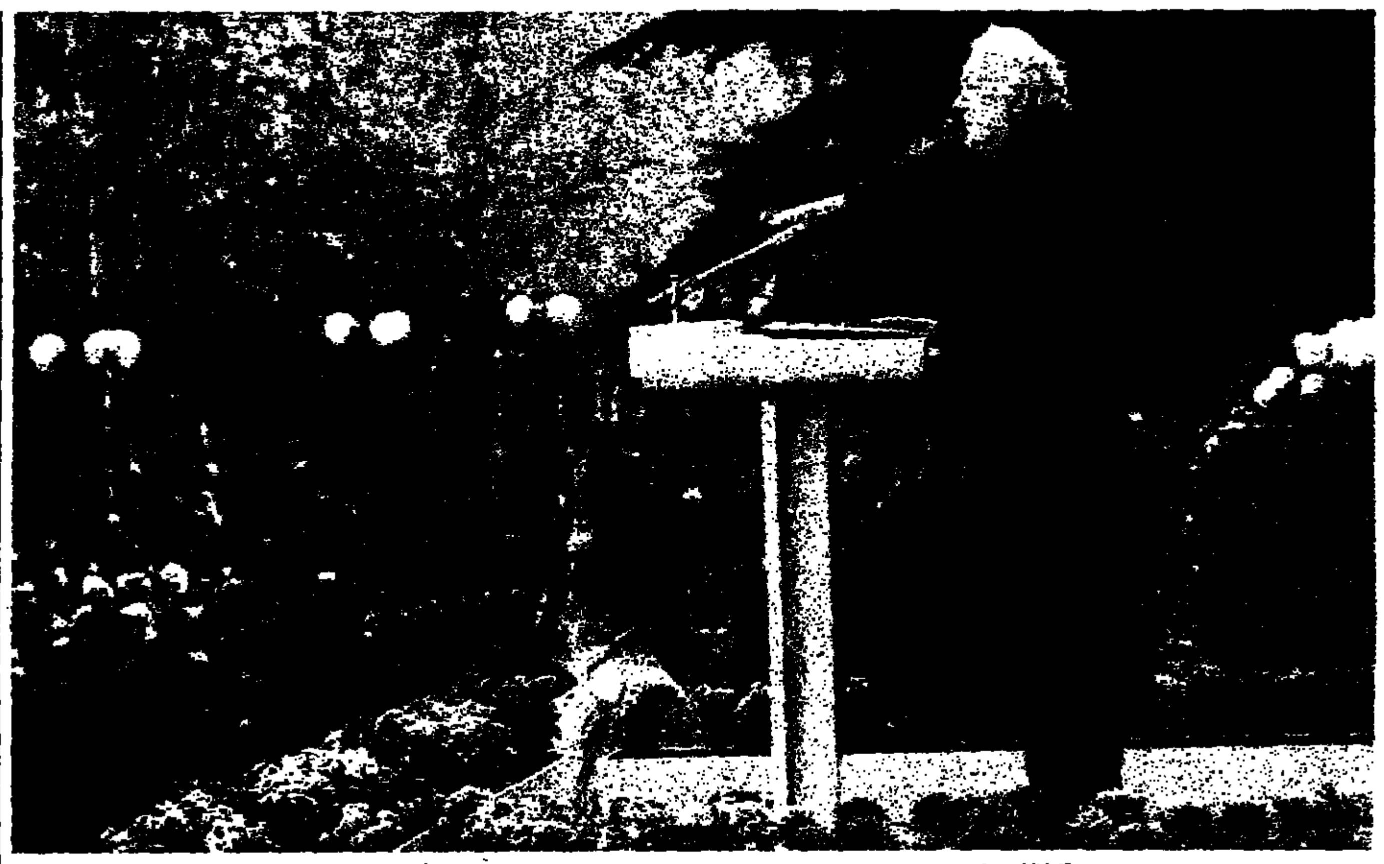
As well as winning over Congress, the administration will this week be fine-tuning details of the Nato mission in Bosnia with its European allies and Russia. Mr Perry is expected to meet *General* Pavel Grachev, Russian defence minister, in Brussels *tomorrow evening* and fellow Nato defence ministers on Wednesday.

Mr Perry told the CBS news show "Face the Nation" that the US could cope with opposition from isolated persons or groups. But it would not proceed with its mission if the Bosnian Serbs, as a whole, rejected the agreement.

"If one of the major parties – in *this case the Bosnian Serbs* – decides that it is not going to *honour the agreement*, we would not send our forces," said Mr Perry.

"I would want to distinguish that from some dissident *individuals* or gangs," he added. "We fully expect to find some individuals resisting it [the Dayton agreement], but if the Bosnian Serbs as a unit decide that they're not going to honour that *agreement, no*, we would *not* go in there."

Mr *Richard Holbrooke*, the US official who masterminded the Dayton agreements, said there could be no question of tinkering with the accords to satisfy the Serbs.



Former Soviet foreign minister Eduard Shevardnadze was sworn in as Georgia's president yesterday and promised to bring peace and prosperity to the Transcaucasus state. Mr Shevardnadze, 67, addressed about 3,000 people gathered outside the parliament building in central Tbilisi – scene of many violent riots which have rocked the former Soviet republic over the past eight years Mourners for the *Soviet empire, Page 14* Picture: Reuter

India eases rules on external borrowing

By Shiraz Sidhva in New Delhi and Conner Middelmann in London

India's finance ministry has relaxed government guidelines *for external commercial borrowings* by the corporate sector.

It aims to ease pressure on the falling rupee and overcome a severe shortage of funds in the Indian markets.

The revised guidelines, released on Saturday, permit corporations floating Euro-issues to remit the funds freely into India. They also ease tough restrictions on converting the money into rupees.

"*It's a very positive development*, both for issuers and investors," said *Mr Ian Hannam*, a director at investment bank Jardine Fleming. "It will reopen the market and give companies greater flexibility."

He said international fund managers were likely to welcome the re-emergence of foreign-currency convertible bonds, whose fixed-*income element* protects investors in an environment *of falling or volatile share prices*. Previously, funds raised abroad had to be retained as foreign currency deposits in India to be converted into rupees only when expenditure was for an officially approved use.

That requirement was imposed a year ago to curb heavy foreign currency flows into the country and to ease the then upward pressure on the rupee. The government was also concerned that the money was being diverted for what it regarded as the unauthorised purpose of financial market investment.

Business in global depositary receipts (GDRs) could also benefit from the measures. Government rationing of access to foreign capital markets caused the once-buoyant GDR market to *slow to a near-halt* this year. After Indian companies raised some $3bn *through GDR issues in* 1994, only two issues worth *$191m have materialised* this year.

While the conditions of 1993 and 1994 are unlikely to return any time soon, "we may see 10 GDR issues next year rather than two in 1995," predicted Mr Hannam. The only GDR issue scheduled so far for 1996 is a $100m *offering for Bombay Suburban* Electric via Jardine Fleming.

While the measures might not spell a turnaround for the ailing Indian stock market, which has shed nearly 30 per cent in the year to date, they might at least help improve sentiment, he said.

Under the new system, private companies will be allowed to structure their external commercial borrowings as Foreign Currency Convertible Bonds.

Companies will also be allowed to use 25 per cent of their GDR funds for corporate restructuring and working capital requirement instead of 15 per cent.

Companies investing in infrastructure projects, including power, petroleum refining and exploration, telecommunications, ports, roads and airports will be exempt from providing a three-year track record before raising funds on the Euromarkets.

Indian industry welcomed the changes, though some companies called them "a knee-jerk reaction" to the liquidity problem.

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Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pes50	Switz	SFr3.80
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L80,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

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EU funding for E Europe under threat

By Caroline Southey in Brussels

European Union funds to boost democracy and economic reforms in the former Soviet Union risk being cut off in January, due to a row over how the European Commission allocates contracts for projects in the new independent states.

The Tacis programme, set up in 1991 to help foster reform in the region, was to have had a budget of about Ecu500m (£415.5m) next year.

The Commission is resisting a campaign, led by Spain, to toughen controls on the contracting system.

Spain, which holds the EU presidency, wants a set of rules that would oblige the Commission to provide more detailed information about how shortlists are drawn up and what criteria it has used for allocating contracts.

Spain is also seeking to reduce the threshold for contracts that are not tendered from Ecu300,000 to Ecu150,000.

The proposals, blocked at successive meetings of foreign ministers, are backed by southern member states which feel they have won a disproportionately small number of contracts, and opposed by northern member states, which have been awarded the bulk of the contracts.

An EU official said."This is a completely foolish reason to block the aid. While the economies of these countries are falling to bits all the EU can do is haggle over a handful of contracts."

Germany, the Netherlands, Belgium and Luxembourg have supported the Commission's view that Spain's proposals would create bottlenecks and lead to long delays in allocating contracts. "The fear is that they will lead to over-bureaucratic structures rather than transparency," another EU official said.

The Commission insists that the arrangements are sufficiently transparent and that the regime for tendering is professional and objective.

"The system is not weighted in favour of any countries. Southern member states are shortlisted as much as northern ones. But they win less contracts," an EU official said, pointing out that countries such as Italy and Spain "don't have the experience, language skills and knowhow" of some northern countries.

The Commission is also resisting a drop in the threshold for non-tendered contracts. Most of the business for sums under Ecu300,000 goes to non-profit organisations for activities such as conferences, or monitoring elections. "It can't be in anybody's interests to see these things delayed by a long tendering operation," an EU official said.

EU foreign ministers will try to reach agreement on the proposals next Monday.

The contracting plans form part of a larger regulation package for Tacis, including guidelines for implementing, monitoring and evaluating projects.

Failure to reach agreement could bring Tacis to a halt early next year when the present arrangements governing the project expire.

With a budget of Ecu470m last year Tacis signed 1,300 contracts, most of which were awarded through a restricted tendering procedure. This involves drawing up shortlists of six to 12 companies from which an evaluation committee – made up of Commission and outside experts – elects the winner.

The Tacis programme has been criticised by the European Court of Auditors for inefficiency and poor targeting of funds.

However, EU officials point out that the Commission last year improved the operation, although it remains handicapped by a lack of staff and the fact that it has few representatives working on the ground.

Denmark begins to rue Emu opt-out

As the scheduled start in 1999 of economic and monetary union hoves into view, Danish leaders are increasingly rueing the day they had to insist on opting out of the project because of deep objections within Denmark to the European Union's Maastricht treaty.

Denmark created one of the EU's knottiest problems by rejecting Maastricht and its calls for closer political and economic ties in a 1992 referendum, throwing the whole treaty into doubt. The issue was resolved in December 1992 at a summit in Edinburgh, where Denmark negotiated opt-outs from key Maastricht provisions, including Emu.

The opt-out formula was hailed as a triumph of creative diplomacy. It worked – at least in the short term – as the Danes accepted their revised version of Maastricht in a new referendum the next May.

But now Denmark's main political parties face a dilemma. Both the Social Democratic-led coalition government and the two main right-of-centre opposition parties believe that the country would be better off joining Emu after all. They are afraid of the consequences for the economy if they do not – but politically their hands are tied.

The economy is in strong enough shape to join Emu, already meeting the criteria set down for membership on budget deficits, inflation, interest rates and currency stability.

Mr Mogens Lykketoft, finance minister, explains Denmark's position: "What we are embarked upon is a long-term policy parallel to Germany. The German experience shows us there is no long-term gain in a devaluation or inflation policy. We want to be a hard-core currency and keep on that track." However, Denmark's path to Emu is blocked by the promise made to the electorate as a condition for the second referendum to abide by the Edinburgh opt-outs – unlike Britain, which has the right to opt out of Emu but has kept open the question of whether it will do so.

"Our opt-outs are not at all based on economic reasons," says Mr Lykketoft. "It was a political necessity to define those opt-out clauses. That means for the time being that the issue [of joining Emu] is not open for discussion."

Ironically, the lack of an Emu option means the government is more determined than ever to stick to an Emu-tailored policy to minimise any penalty it might pay in the financial markets for staying outside. The anti-inflation stance has made the economy one of Europe's most stable, after recovery from a fiscal crisis in the early 1980s. The krone has maintained its ERM parity since 1987; the key discount interest rate has recently been cut to below 5 per cent for the first time since 1959; and inflation is running at around 2 per cent.

Such was the control over the public finances that the present coalition was able to allow a strong fiscal stimulation in 1994, helping to produce growth last year of 4.5 per cent, in an effort to make an impact on unemployment. The rate of growth has since declined, but is still expected to be close to 4 per cent this year and 3 per cent in 1996.

Unemployment remains around 10 per cent of the workforce. The opposition, led by Mr Uffe Ellemann-Jensen, leader of the Liberal party, says deeper reforms of Denmark's high-tax, high-welfare structure are needed to make big cuts in unemployment.

But the commitment to Emu-aligned policies enjoys all-party support. Although there are worries that the fiscal expansion of last year will skew the government's budget plans, Mr Lykketoft says the budget will be balanced in 1997 and in surplus thereafter.

The question is what penalties Denmark will suffer if Emu goes ahead. The finance ministry reckons that, at the least, Danish interest rates will carry a premium of 50 basis points as a result of being outside the Emu "hard core".

To minimise such discrimination, the central bank is anxious that the EU makes arrangements to formalise the relationship between Emu and non-Emu members, to allow distinctions to be made between the differing economic conditions prevailing in non-Emu countries.

"Our preference is for something like an ERM arrangement," says Mrs Bodil Nyboe Andersen, head of the bank's governors. "It must involve mutual obligations – it must clearly be a system. It should be in place before a decision is taken on which countries are to join Emu."

Ultimately, however, Denmark can only solve its dilemma on Emu by holding another referendum on the issue. Mr Ellemann-Jensen is urging that this nettle be grasped. "We need to do away with the opt-outs and get Denmark into Emu as soon as possible," he declares.

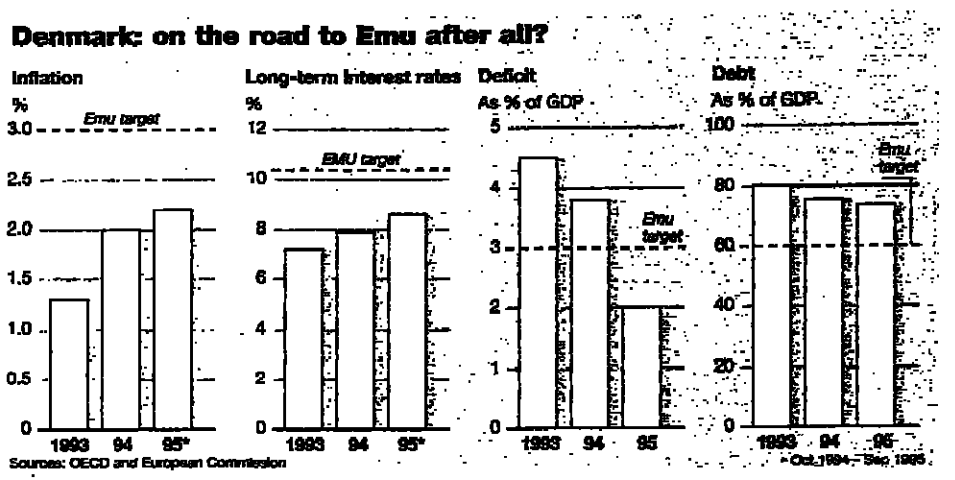
One scenario is that next year's intergovernmental conference, called to review Maastricht, might produce results which so changed the outlook for the EU that they would justify – or even require – a new referendum superseding the Edinburgh opt-outs.

But even if those circumstances were to arise – and many doubt the IGC will produce big changes – Mr Poul Nyrup Rasmussen, the prime minister, has expressed scepticism about holding another vote so soon after the turmoil of the previous two referendums.

For now, therefore, the best hope for Denmark's leaders seems to be that Emu is postponed.

Hugh Carnegy

Denmark: on the road to Emu after all?



Sources: OECD and European Commission

Plea to Bundesbank on short-term debt

By Andrew Fisher in Frankfurt

The Bundesbank has been urged by one of its own council members to help strengthen Frankfurt's role as a financial centre ahead of European monetary union, by dropping its opposition to government issues of short-term debt.

Mr Ernst Welteke, president of the state central bank of Hesse, in which Frankfurt is located, said renewed efforts were needed to make Germany more competitive as a financial market. The advantage of trading domestic financial products in D-Marks would disappear when Emu began in three years' time.

The Bundesbank opposes German government issue of paper with maturities under a year – unlike most other European countries – because it argues this will erode its control of monetary policy. Mr Welteke said he shared the bank's concern over the consequences of too much short-term borrowing, but it should reconsider its basic opposition as Emu approached.

Other countries issued short-term paper and this should be made possible in Germany before the European central bank began, he said. Economists thought a suitable proportion of government debt to be issued short-term would be up to 10 per cent. Most federal issues run for five or 10 years.

Mr Thomas Mayer, economist at Goldmans Sachs, agreed with Mr Welteke. "This would be good for the further development of the money market in Germany. Money market funds would benefit as they also want high-quality short-term paper."

It would also help federal budget policy by increasing flexibility and allowing savings on interest payments.

Mr Mayer said: "The finance ministry has been waiting for the Bundesbank's green light to issue short-term paper." In the 1995 budget plan, provision was made for DM50bn (£22.8bn) of paper with a life of less than one year, though none was issued in light of the Bundesbank's views.

Mr Klaus Baader, economist at Lehman Brothers of the US, said short-term government paper would be "an excellent idea". He thought the Bundesbank might reconsider its views. "It would make Frankfurt a more important centre for dealings in a common currency. This could be used to improve the advantage provided by the fact that the European central bank will be there."

He said a move to short-term paper would not risk overturning the Bundesbank's monetary control. "The potential in reality for conflict is pretty small." With strong government pressure, "it would be very timely for the Bundesbank to soften its resistance."

Fini wary as probe stepped up into Fininvest

By Robert Graham in Rome

The political fate of Mr Silvio Berlusconi, the former Italian prime minister, looked increasingly uncertain over the weekend as anti-corruption magistrates stepped up investigations into alleged irregularities in his Fininvest business empire.

For the first time Mr Gianfranco Fini, head of the rightwing National Alliance (AN) and Mr Berlusconi's most important supporter, distanced himself from the media magnate turned politician. Mr Fini's stance appeared dictated by the fear that Mr Berlusconi's Forza Italia movement risked being seriously compromised by the judicial problems of its leader.

These problems coincide with the prospect of a general election in the new year.

Other members of Mr Berlusconi's rightwing alliance remained reticent in their support for him in the face of what promises to be a showdown with judicial investigators.

Fini: election in view

Magistrates have summoned Mr Berlusconi for questioning on Thursday over allegations that Fininvest offshore subsidiaries in 1991 transferred L10bn (£3.9m) to a Swiss account controlled by Mr Bettino Craxi, the ex-Socialist leader.

They have also extended their inquiries to scrutinise the activities of several Fininvest executives in relation to alleged falsification of accounts. This followed raids late last week on the offices of at least two banks in Milan.

Since the corruption scandals broke in 1992, the Italian press has carried apparently well informed leaks from the Milan judiciary in advance of a key development.

This has been much in evidence in recent days, with reports that an important figure, with intimate knowledge of Fininvest's offshore and off-balance sheet operations, has supplied information.

Last week the magistrates issued four arrest warrants for alleged illicit financing of the now-defunct Socialist party. The warrants included Mr Giorgio Vanone, responsible for Fininvest's offshore financial operations, and Mr Craxi, allegedly the ultimate beneficiary of the L10bn.

Mr Berlusconi has insisted the transfers were legitimate operations conducted by Fininvest offshore subsidiaries and linked to payment for film royalty deals carried out by Mr Tarak Ben Ammar, a Franco-Tunisian film producer. He denied any funds had been transferred to Mr Craxi or his Socialists.

However, Mr Berlusconi admitted that the transfers used the same lawyers and offshore bank accounts as the Socialist party. The magistrates claim these accounts were handled by nominees of Mr Craxi.

German companies give spur to investment abroad

By Peter Norman in Bonn

German business investment abroad, already growing strongly this year, will increase further in 1996, according to the DIHT, the umbrella body for the German chambers of industry and commerce.

A survey of 10,000 companies found that more than a third of industrial companies in western Germany planned foreign investments next year. By contrast, few eastern German companies are taking the plunge: in the eastern German port of Rostock, for example, fewer than 5 per cent of companies had planned foreign investments in 1995 or 1996.

The DIHT said among companies that already invest abroad 39 per cent intended to increase outlays in 1996 against only 17 per cent planning a reduction in spending. This resulted in a positive balance of 22 per cent of companies intending to boost foreign investment, against 19 per cent a year ago.

The DIHT cited Saarbrücken, where one out of two companies already investing outside Germany planned to boost spending abroad next year while only one in four companies said planned increased investment inside Germany.

Many companies saw foreign investment as a way to gain market share. But a growing number, especially in labour-intensive sectors, wanted to take advantage of lower production costs and were setting up plants and joint ventures in central and eastern Europe.

The turbulence of foreign exchange markets earlier this year also prompted more investment abroad, as companies sought to reduce foreign exchange risk, the DIHT said.

The survey showed small and medium-sized companies, such as motor component suppliers, were increasingly ready to shift production out of Germany.

German business investment abroad more than doubled to DM28bn (£12.6bn) in the first half of this year and was more than four times the DM6.64bn of foreign investment in Germany in the same period.

Irish leaders play down a social milestone

Ireland has taken a long hard look at itself and decided it did not like what it saw.

The majority decision to legalise civil divorce, passed by voters by less than half a percentage point in a referendum on Friday, marks a milestone in Ireland's social and legal history and a further challenge to the pre-eminence of the Roman Catholic church.

There was little triumphalism yesterday in the pro-divorce camp – the government reaction was as low key as had been the church's response to the defeat of divorce in 1986.

In Catholic Ireland, divorce is a difficult cause to champion. Mr John Bruton, the prime minister, summed up the quandary of many voters when he said that "everyone probably had a bit of a No vote in them".

The result, with a 9,000 majority for an amendment to end the constitutional ban on divorce, was far closer than expected despite overwhelming support for a Yes vote from the media.

In 1980, no single leader in the Dail, the Irish parliament, would endorse divorce. In 1986, when a referendum brought defeat by 2 to 1, Fianna Fail, the largest party and then in opposition, seized on the defeat to argue that Dr Garret FitzGerald, the Fine Gael leader, no longer had a mandate to govern. This year all five main parties supported the amendment.

The two main parties, Fianna Fail and Mr Bruton's Fine Gael party, have a rural voter base and see few votes to be had from taking a liberal stance on social issues. Mr Bruton was so concerned to contain the debate that he initially tried to hold the referendum on the same day as votes on two other issues – cabinet confidentiality and the voting rights of Irish emigres.

Some will hail Friday's vote as a further stage in the liberal ascendancy. But for many politicians, aware of the conservatism of rural Ireland, the result will allow the main parties "to get shot of the liberal agenda", as a Fianna Fail strategist said.

However, the result indicates the larger social changes that have occurred in the last 20 years, as Ireland has become more urbanised.

The result, so close there was a recount late on Saturday night, highlights the split between the liberal, urbanised east coast and the conservative, rural west of Ireland.

Although there were regional variations, Dublin secured a 130,000-odd majority in favour of the amendment, while in rural Ireland there was a 120,000-odd margin against.

The outcome is a blow for the church, in a country where 80 per cent of the 3.5m population still describe themselves as church-going. But religion, as in 1986, was not the driving issue for the No campaign, but rather the question of the effect on the marriage partner, on the children and – a particularly emotive issue in rural Ireland – the break-up of the family farm.

The challenge for politicians is how to respond. Already yesterday, Labour MPs such as education minister Ms Niamh Bhreathnach were promising to take into account the opponents of divorce.

Labour looks most comfortable with the change, having made divorce reform the price Fianna Fail and Fine Gael had to pay to induce Labour to join forces in both of the last two governments.

Even Ireland's intellectual élite, often depicted as imposing a liberal agenda, seemed reluctant to roll up sleeves for reform. Mr Bruton had to enlist the help of the rock stars Bono and Van Morrison, a Belfast-born Protestant.

John Murray Brown

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NEWS: EUROPE

Dinar devalued to boost Serbian economy

By Laura Silber in Belgrade

Yugoslavia yesterday devalued the dinar, the national currency, by 69.7 per cent in an effort to resuscitate the Serbian economy after the lifting of UN sanctions. The move brought the dinar down to the rate prevailing on the black market, which has flourished despite threats of harsh punitive measures.

The Yugoslav federal government also took limited steps to liberalise foreign trade. The measures were part of a wider package, put forward previously by Mr Dragoslav Avramovic, the market-oriented governor of the National Bank.

But the government seemed to have stopped short of approving the other measures proposed by Mr Avramovic. He had placed a priority on privatisation, and favoured liberalising foreign investment and increasing the authority of the central bank. The government made no mention of these measures in its announcement this weekend.

Mr Avramovic announced the devaluation, saying that the bank rate would be 3.3 Yugoslav dinars to the D-Mark. The rate was previously one-to-one.

For months Mr Avramovic has been at odds with the government over the proposed package.

His proposal for privatisation and market reforms was attacked by Mrs Mirjana Markovic, the powerful wife of the Serbian President, Mr Slobodan Milosevic.

After 42 months, UN sanctions were last week suspended indefinitely as part of the Dayton agreement. Sanctions had devastated the Serbian economy, already reeling under the weight of footing the bill for the wars in Bosnia and Croatia as well as the collapse of trade between the former Yugoslav republics.

More than half of the country's factories have shut down and hundreds of thousands of workers were sent on "forced holidays". Yugoslavia is recovering from the highest inflation rate in history. In January 1994 Mr Avramovic introduced the new dinar, which slashed the inflation rate from more than 300m per cent in December 1993.

Plaudits for Milosevic's 'politics of peace'

Overnight, peace seems to have become the most sought after commodity in former Yugoslavia following last week's endorsement by the presidents of Serbia, Bosnia and Croatia of an overall settlement.

In isolated Serbia a sense of relief prevails. Serbs hope that the Dayton agreement, by lifting UN sanctions against Belgrade, has halted the republic's slide into impoverishment and ended its exile from the outside world.

The state-run media reverberates with praise for President Slobodan Milosevic, once seen by the west as the main instigator of bloodshed in the Balkans and now regarded as the region's chief powerbroker and the cornerstone of peace.

Telegrams of support, from local branches of the ruling Socialist party and from state enterprises, gush with plaudits for Mr Milosevic's "politics of peace" which, they say, he has pursued since Yugoslavia began disintegrating.

Trying to dispel doubt that the agreement was anything less than a victory for the "wise policies" of Mr Milosevic, Television Serbia broadcast interviews with Serbian citizens whose views were unanimous: the US-brokered agreement merited their unconditional support and Mr Milosevic was the person most responsible for delivering peace to the Balkans.

Most opposition parties also welcomed the agreement.

A lone voice of resistance in Belgrade came from Mr Vojislav Seselj, the ultranationalist MP and paramilitary leader who was once a close ally of Mr Milosevic. He accused the Serbian president of selling out the Bosnian Serbs in exchange for the lifting of sanctions.

His protest was seconded by Mr Radovan Karadzic, the Bosnian Serb leader whose political career is about to end. Mr Karadzic, who has been indicted by the international tribunal for war crimes, yesterday denounced the agreement for "creating a new Beirut in Europe".

Over the weekend thousands of Serbs who live in Sarajevo's suburbs turned out in protest against the deal, which returns the land to Bosnian government control. They carried placards written in the Serbian Cyrillic alphabet reading: "We're not giving up Sarajevo".

Their protest seemed too weak to scupper an agreement. The Dayton summit only cemented the shift among the Bosnian Serbs – from stubborn and bellicose to war-weary. They had already suffered setbacks on the battlefield, and knew they would suffer more if the war continued.

Croats in Bosnia are also unhappy. In a damning condemnation of the settlement, Cardinal Vinko Puljic, archbishop of Bosnia, said they had been buried alive by the agreement, which gave away much of central and northern Bosnia, where Croats had once formed a majority.

But President Alija Izetbegovic of Bosnia returned to Sarajevo to cheers and flowers. He had won two key concessions – a unified Sarajevo and the lifting of the arms embargo. This made it possible for him to claim that the Moslems, the war's biggest victims, had "achieved between 80-90 per cent of what we sought in Dayton".

Mr Izetbegovic has had to overcome the belief that the Moslems, whose army is now stronger, could gain more by continuing to fight to establish control of Bosnia.

While all sides are more ready for peace than they have been in the past four years of war, the scars run deep. The bloodshed and destruction has sown the seeds of hatred, which could undermine stability in the region for a long time.

Laura Silber

President faces tough test despite softer line by Congress critics, writes **Bruce Clark**

Clinton tries to sell Bosnia mission to a sceptical US

President Bill Clinton faces one of the toughest tests of his term in office today when he goes on television and tries to persuade the nation that peace in Bosnia is worth putting 20,000 US soldiers at some risk.

Congressional sceptics and influential columnists have softened slightly in their doubts about the Bosnia mission over the past few days. Several have shifted from a stance of outright opposition to cautious agnosticism.

But legislators like Senator John McCain, who have spearheaded the campaign to lift the arms embargo against Bosnia, were stressing yesterday that the president still had a huge task in allaying citizens' doubts about the Bosnia mission.

Pentagon officials, meanwhile, are lining up a formidable battery of arguments to be used against those who doubt the viability and desirability of sending in an "implementation force" (Ifor) to nail down the deal that was sealed by three Balkan leaders in Dayton, Ohio, last week.

To those who fear that any mission on the ground will follow the United Nations down the path of ineffectiveness, they point to changes in the rules of engagement which would allow tough action, not only against those who attacked Nato's men but even when "evidence of hostile intent" is ascertained.

Russia, which has disagreed with Nato over some aspects of the enforcement plan, fully supports Nato's insistence on protecting itself in the toughest possible way, US officials note.

They add that last September's air and artillery campaign against the Serbs has destroyed the myth that a strong presence on the ground is incompatible with tough action against one warring party.

The US administration faces conflicting pressures from its congressional critics on one hand, and from European allies on the other, over the issue of how much military aid should be given to the Bosnian government.

European diplomats fear that Congress will insist, as the price of its approval of Ifor that earlier promises of military aid to the Bosnian government should be made more explicit – on the grounds that the Moslem-led government will still need to defend itself if peace fails.

Any such move by Congress would be deeply unwelcome to the Europeans, who have been arguing for the last three years that boosting the Bosnian government's firepower would merely exacerbate the conflict.

Pentagon officials say they are adamant that any military aid to the Bosnian government will not compromise the Nato force's even-handedness in implementing the Dayton accords.

Perhaps the hardest question of all for the administration to answer at this week's congressional hearings on Bosnia will be the level of hostility which would prompt the US government to conclude that the mission had failed and should be withdrawn.

Mr Richard Holbrooke, who masterminded last week's peace agreement, declined yesterday to specify the level of casualties which would prompt the US government to consider pulling out. He said that to be too specific would encourage those who had hostile intentions towards the US force.

Potential hostility to the US soldiers is by no means confined to Bosnian Serbs. Hostile action against the US force could also be taken by anti-western Moslem fighters, or mujahideen, who have been fighting as irregulars in central Bosnia in support of Sarajevo's own forces.

Mr William Perry, US defence secretary, yesterday said the Nato mission would not be deployed unless it was absolutely clear that the Dayton plan enjoyed the consent of the leadership of all parties in former Yugoslavia.

He also pledged that, in one way or another, the imbalance in armaments between the Bosnian Serbs, who still possess hundreds of tanks, and the Bosnian government would be evened out by the time the Ifor left, within one year.

But he said that over the next six months an effort would be made to balance out these force levels by means of arms control and disarmament. Only if this failed would the US government begin equipping and training the Bosnian army to make sure that it was a match for the Serbs.

EUROPEAN NEWS DIGEST

Ukraine scales back military

Ukraine will sell Russia 32 SS-19 nuclear missiles and 44 nuclear bombers in a deal meant to finalise a military divorce between the two former Soviet republics. The agreement, on Friday night in the Russian Black Sea resort of Sochi, underscores Ukraine's commitment to denuclearise and shrink its military.

Ukraine last year agreed to transfer all its nuclear warheads to Russia and accede to the Non-Proliferation Treaty. Mr Pavel Grachev, Russian defence minister, said the deal would smooth uneasy relations between Moscow and Kiev. General Igor Sergeyev, commander of the Russian strategic missiles forces, said: "The purchase of the missiles will enable Russia to maintain its nuclear potential at a proper standard until 2009."

Matthew Kaminski, Kiev

Waigel berated over surcharge

Germany's Free Democrats, junior partner in Chancellor Helmut Kohl's ruling coalition, yesterday attacked Mr Theo Waigel (left), finance minister, for seeking to delay the abolition of a tax surcharge, and said the government risked losing the next election over the issue. Mr Wolfgang Gerhardt, FDP chairman, called for a special cabinet meeting on the "solidarity surcharge", introduced last year as a temporary measure to help pay for public investment in east Germany. "Without tax cuts the whole coalition will not be able to survive at the 1998 federal election," Mr Gerhardt told the Bild am Sonntag newspaper. Mr Waigel said last week the surcharge would not disappear before the year 2000, in what economists saw as an admission he was worried Germany might otherwise not qualify for membership of European currency union in 1999.

Reuter, Bonn

Alphandéry set for EdF

Mr Edmond Alphandéry, economy minister in France's former Balladur government, is today to be appointed president of Electricité de France, the state-owned utility, in the place of Mr Gilles Ménage, who resigned on Saturday. Mr Ménage was a Socialist appointee who is under formal investigation for organising wiretapping when he was an Elysée aide to President Mitterrand. The nomination will be confirmed at Wednesday's cabinet meeting.

David Buchan, Paris

Romanian property rights

Mr Ion Iliescu, Romania's president, has signed into law a restitution bill granting only limited compensation to former owners of nationalised property. The law, which settles ownership rights on some 200,000 properties, gives former owners the right to claim back one home, provided they still live in it, or to receive compensation of up to Lei50m ($19,000). The law has been attacked by opposition parties which say it will benefit former senior communists inhabiting nationalised properties. Only a few former owners were allowed to remain in their homes.

Virginia Marsh

FT writers set the scene for the Euro-Mediterranean conference opening in Barcelona today

EU aims to banish trade/aid dilemma

By Tom Burns

At the European Union's Edinburgh summit three years ago, Spain's prime minister Mr Felipe González presented his 11 fellow heads of government with photographs of the coast of Morocco taken from the Spanish mainland. Mr González's colleagues were obsessed with Europe's eastern frontier and he wanted them to recognise the proximity of its southern one.

Today the expanded EU of 15 states will sit down in Barcelona to face the neighbours – 12 "southern rim" Mediterranean nations, stretching from Morocco to Turkey. Spain's foreign minister, Mr Javier Solana, who will host the EU Mediterranean summit, says: "We all want to write a new chapter in our relationship".

For the Spanish government, the road to Barcelona's meeting of foreign ministers has been a long one. Recalling the milestones, Mr Solana says the Lisbon EU summit of 1989 first set out the "southern frontier" issue, but the fall of the Berlin wall concentrated minds elsewhere. "Recognising the problem was a quick process, but doing something about it took a little longer."

The breakthrough came at the Essen summit last year when German chancellor Mr Helmut Kohl was ready to take new EU challenges aboard.

'We all want to write a new chapter in our relationship'

"At last there was a shared realisation that the southern frontier was vital to Europe's stability. It is tremendously important, not just in the political and economic sense, but culturally as well because of the presence of so many millions of southern rim immigrants in the EU."

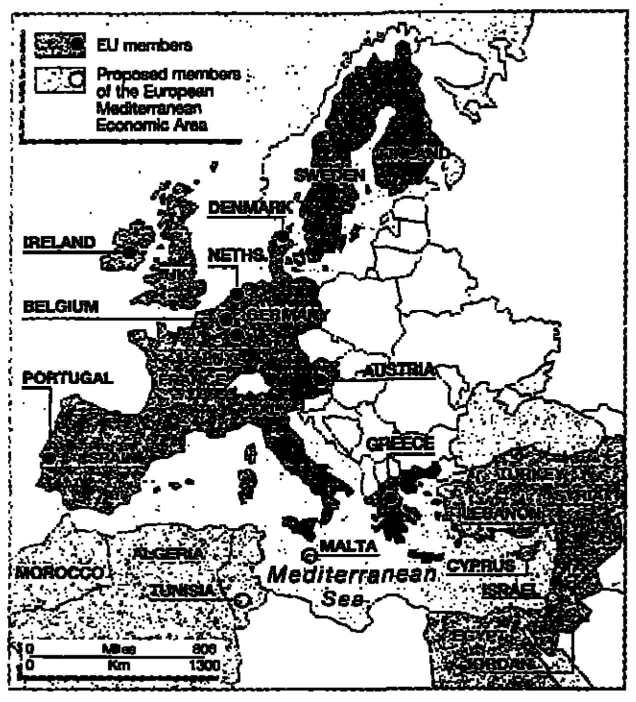
The subsequent EU summit, at Cannes, earlier this year, delivered an allocation of EU funds totalling Ecu4.6bn ($6bn) and a target of creating an EU-Mediterranean free trade area by 2010.

"We are now talking about a partnership that overcomes the dilemma between trade and aid," says Mr Solana. "The purpose of our aid is to establish a more balanced trade relationship and the EU must be prepared to open its markets to what the southern rim produces."

Mr Solana insists the aid package will have a Brussels stamp: "There will be all the usual EU mechanisms in place to control the aid. There are no risks – bar the normal ones we know about in the union – of the resources being improperly used."

He has equally clear views on how to spend it: "The idea is to provide resources within a regional framework for major projects that deal, for example, with water and desertification, with major communications infrastructures, and with education and training."

The guiding principle of the aid package is to prepare the southern rim economies for the projected free trade area and this means fostering regional trade and loosening dependent relationships with the EU. Cross-border trade within the southern rim of the Mediterranean is high on the agenda.



The quicker and the better "horizontal" trade between the countries takes off, the easier the aid/trade dilemma is solved and the more fruitful will be the results of what Mr Solana calls the "vertical" north-south trade relationship.

A lot of heartfelt idealism wraps up Barcelona's free market package. Mr Solana, one of nature's optimistic extroverts, believes the conference will enable the EU to discover the lie of the land on its southern frontier.

The Barcelona declaration, when the conference winds up tomorrow, will include references to shared cultural principles as the basis for a stable partnership. "We are all very conscious that a lot of sensitivity is required to understand the other side, for a start to understand Islam," says Mr Solana. "It's quite wrong to talk about Islam, fundamentalism and terrorism in the same breath."

Algeria will grab political limelight

By Roula Khalaf

As the Euro-Mediterranean conference opens in Barcelona today, Algeria will find itself the political centre of attention and the country most left out economically. It stands in sharp contrast to its neighbours Tunisia and Morocco which have already agreed association deals with the European Union.

With its energy resources – $10bn worth of yearly oil and gas exports – Algeria was once considered the most promising economy in the region. Since 1992, however, when elections expected to be won by Islamists were cancelled provoking civil strife, Europe has looked upon Algeria as a source of destabilisation in the region. The EU's new emphasis on the southern rim of the Mediterranean aims to help raise living standards to stem the appeal of Moslem fundamentalism and reduce emigration pressures.

The presidential victory of former army general Liamine Zeroual is as a source of some comfort for Europe. Contrary to expectations, the elections were conducted amid relative calm and a majority of Algerians cast their votes. Algerian officials know that discussions with the EU on closer economic co-operation cannot begin before the restoration of security and political stability. Brussels has suspended most project aid to Algeria because European officials can no longer monitor the progress of projects.

But as Algeria struggles, Tunisia, North Africa's smallest country, arrives in Barcelona proud to have been the first to sign the association agreement with the EU.

The Tunisian private sector is already busy working out how it can compete with European products as barriers to entry are gradually lifted to create a free trade zone over the next 12 years.

The Barcelona conference presented a welcome deadline for Morocco, which reached an association agreement with the EU earlier this month, after nearly three years of haggling over tomatoes, cut flowers and fish.

The absence of a deal before Barcelona would have been embarrassing for both Rabat and Brussels. Access to European markets and attracting European investment are essential to the Moroccan economy.

Although it has successfully completed a liberalisation programme under the International Monetary Fund, the economy remains heavily reliant on agriculture and faces negative growth this year because of severe drought.

Private sector puts its faith in Zeroual

Algerian business must assume larger role to benefit from IMF reforms

Groupe Metal-Sider Profilor was one of Algeria's largest private sector groups until 21 bombs, aimed at killing the group's anti-Islamist owner, blew the steel factory to pieces.

Undeterred, Mr Samir Ait-Aoudia, the company's director, plans to reinvest. His optimism is based on faith that newly elected President Liamine Zeroual will bring some "normality" to the country.

In the short term, Algerians are expecting that Mr Zeroual's landslide victory in elections on November 16 will lead to an end of nearly four-years of violence which has paralysed the country. A resolution of the conflict is essential if Mr Zeroual is to tackle Algeria's even more daunting long-term problems and begin to integrate the country into the European economic sphere.

Mr Zeroual recognises that the country's real problems are social and economic. If Algeria's youth turned to Islamic fundamentalism in the 1980s, it is partly out of frustration with a regime that squandered resources on ill-conceived and ill-managed state enterprises.

Mr Abdelkrim Hassani, who runs Alifia Info, a small computer software manufacturer, is also placing hope for the Algerian private sector in Mr Zeroual's hands, but not because he fears armed groups.

Mr Hassani, who also heads of a private sector association, says Islamic groups targeted public sector enterprises more than the private sector, which was instead asked to pay up for protection. His main criticism is reserved for an administration which he said is used to benefitting from state control over resources and afraid to lose its privileges should the private sector be allowed to flourish.

Liamine Zeroual: peace hopes after election victory

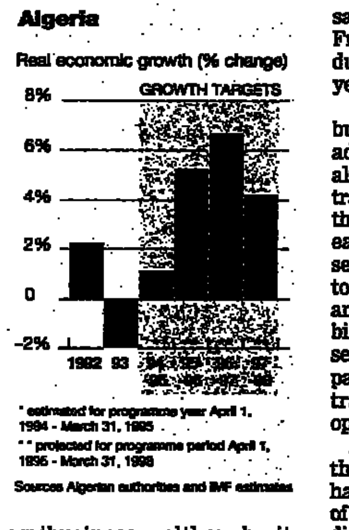
To fulfil the aspirations invested in him, Mr Zeroual will have to break away from the various competing interests that helped him get elected: the unions, the army and parts of the administration.

Algeria is saddled with a debt of nearly $30bn (£19bn) and relies on hydrocarbons for 95 per cent of foreign exchange revenues. The economy has managed to survive over the last two years because of debt reschedulings and an International Monetary Fund aid programme which liberalised prices and imports, reduced subsidies and led to stricter fiscal discipline.

Gross domestic product growth outside the energy sector will reach its target of over 5 per cent this year, according to Mr Abdelouahab Keramane, the central bank governor. But a reduction in oil revenues will lead to total real growth of 3.5 per cent, up from zero per cent in 1994 but short of the IMF target. And inflation, targeted by the IMF for 1995/1996 at 10.3 per cent is running at over 20 per cent.

If IMF reforms are to translate into sustained growth, the private sector must assume a much larger role and attract foreign funds to take up part of the production from state enterprises that run at only 50 per cent capacity. Industrial production this year will register negative growth of 1 per cent.

Until the 1980s, Algeria's socialist policies stifled the emergence of a private sector – "we were looked upon like drug dealers," says one entrepreneur. Today, the private sector accounts for about 35 per cent of production, mainly in services, construction and agribusiness, although its share of industrial production is less than 15 per cent of the total.



The sector is made up for the most part of small enterprises employing between 10 and 50 people. What these numbers do not show, however, is a thriving unofficial sector, which, with the IMF liberalisation of trade, is becoming partly legalised.

Unemployment in Algeria officially stands at around 25 per cent, and is said to reach 60 per cent among the young. But many admit that with average monthly salaries of 6,500 dinars ($82), *trabendo* (smuggling) can be more fruitful than holding a full-time job. One young man says bringing in T-shirts from France once a year can produce more profit than a job all year round.

The civil strife has hurt the business but the smugglers are adapting. With visas now almost impossible to obtain for traditional markets in Europe, they have been turning to far eastern markets. The private sector is stacking up requests to start production operations and businesses as soon as stability returns. The first private sector bank – Union Bank – partly owned by a former central bank governor began operations in Algiers this year.

Mr Hassani complains that the private sector is being hampered by the devaluation of the dinar, which slid from 26 dinars to the dollar in 1994 to 51 dinars today. With eroded purchasing power, the increase in production costs cannot be passed on to consumers, he says.

Traders and speculators, however, have taken advantage of the opening of the economy to turn the country into a bazaar with grocery store shelves filled with goods most people cannot afford to buy. Earlier this year, imports of bananas flooded the market until the imposition of a 50 per cent tax. Importers have now turned to other superfluous food products – imported yogurt for instance.

Roula Khalaf

Pakistan to cut spending

By Farhan Bokhari in Islamabad

Pakistan will cut government expenditure and mobilise more revenues from taxes to meet the conditions attached to a $600m IMF standby loan agreed in Washington last week.

Mr V.A. Jaffarey, the prime minister's adviser on finance, said at the weekend that the deficit target would be cut from 5 per cent of the GDP to 4.6 per cent by generating more revenues and cutting non-development expenditure. He did not specify from where the cuts would come.

The proposed cuts come at a time of continuing concerns over the recent performance of Pakistan's economy.

The government of Ms Benazir Bhutto devalued the rupee, raised domestic fuel prices and imposed new duties on imports last month to halt falling exports and to improve foreign exchange reserves.

The weekend decision to announce cuts suggested that those measures were not enough to satisfy fund officials. Pakistan wants to improve international investor confidence by restoring an IMF programme which came to a halt towards the end of last year after Islamabad failed to meet its performance targets.

Mr Jaffarey also said there was no basis for fears that the government would devalue the rupee further or reverse its policy of allowing foreign exchange accounts at local banks.

Castro makes belated pilgrimage to Beijing

By Tony Walker in Beijing

President Fidel Castro will make a belated pilgrimage to China this week, 37 years after turning the Caribbean island into a communist state.

Mr Castro, whose island-state was firmly wedded to the former Soviet Union for the first three decades of his rule, is now obliged to seek friends wherever he can find them among the world's remaining nominally communist states.

Adding poignancy to Mr Castro's presence in China this week – the Cuban leader arrives on Wednesday – is the concurrent visit of Mr Do Muoi, the general secretary of the Communist Party of Vietnam, who arrived yesterday at the start of a six-day visit.

Both Cuba and Vietnam have been at odds with China over the years, but changing times and the shrinking of the communist world have brought strange bedfellows together.

The missing piece in this week's gathering is Mr Kim Jong Il of North Korea, the heir apparent to the late Kim Il Sung.

In a way, the presence of both Mr Castro and Mr Do in Beijing is an acknowledgement of China's leadership of what is left of the communist brotherhood.

While Beijing resists this role, its gradual economic reforms described in party propaganda as "socialism with Chinese characteristics" are providing a model for both Cuba and Vietnam.

The Cuban leader, in recent speeches that seek to wean Cuba slowly from the destructive state control of a previous era, has lauded the Chinese experiment while castigating the former Soviet Union's "disastrous" embrace of capitalism.

In July, Mr Castro, in a state-of-the-nation speech, said Cuba was willing to adopt reforms that include "unquestionable elements of capitalism", but defiant to the end, he rejected any abandonment of socialism.

"The disasters that have happened in the countries of the former Soviet Union ... compared to the impressive successes of China and Vietnam, clearly indicate what can and what cannot be done if one wants to save the revolution and socialism," he said.

In Beijing this week, Mr Castro will have ample opportunity to learn at first hand of China's economic achievements in meetings with its President Jiang Zemin, premier Li Peng and a host of other officials.

He will also be able to observe during a 10-day stay the changes sweeping the country.

Chinese officials have made it clear that economic issues would figure prominently in the discussions. Mr Shen Guofang, a foreign ministry spokesman, said last week that Mr Castro would discuss a "wide range of bilateral issues, focusing in particular on economic development."

Mr Shen discounted, however, the possibility of a "trilateral meeting" between Mr Castro, Mr Jiang of China and Mr Do of Vietnam.

Cuba will be seeking additional Chinese technical aid to help in its economic transformation. It will no doubt also be pressing China to increase imports of such items as sugar to help its impoverished economy. In 1994, two-way trade amounted to roughly a paltry $200m.

Mr Castro will also be seeking to demonstrate by using Beijing as a platform that US attempts to isolate him and his country are proving unsuccessful. His visit to China is part of a wider attempt achieve greater visibility on the world stage.

The Cuban leader's presence in China will be the culmination of a steady warming of relations between Beijing and Havana, marked by increasingly frequent exchanges between senior officials.

President Jiang visited Havana for 20 hours in November last year after meeting President Bill Clinton in Seattle at a gathering of the Asia and Pacific Economic Co-operation forum.

Premier Li was in Cuba last month to be greeted with a bear-hug by Mr Castro himself at Havana airport.

Other senior Chinese officials have also been in Cuba recently, including Mr Qian Qichen, the foreign minister, and Mr Li Ruihuan, a member of the standing committee of the ruling politburo.

Cuba has been increasingly supportive of China in international forums such as the United Nations on various issues, including human rights.

INTERNATIONAL NEWS DIGEST

Europe builds ties with Burma

Several European countries, including the UK, France and Germany, are promoting trade and investment with Burma, despite official EU and UN condemnation of the regime's poor human rights record.

The UK government has appointed new staff to its Rangoon embassy to deal with increasing interest in Burma shown by British companies. UK companies are now eligible for financial assistance to participate in official trade missions to Burma. The UK is the sixth largest foreign investor in Burma with nearly $70m of actual investment.

The French government has been helping oil company Total with its $1.2bn gas pipeline project from the Andaman Sea to Thailand and Germany is considering the resumption of official loans to assist German companies competing for Burmese government contracts and concessions, according to Burmese officials.

The increased activity follows the release of democracy activist and Nobel laureate Aung San Suu Kyi in July after nearly six years of house arrest. At the weekend she urged foreign investors to proceed cautiously and to consider only investments that will benefit the Burmese people rather than help the regime. *Ted Bardacke, Rangoon*

Japan may step up recycling

Japan's Health and Welfare Ministry is contemplating forcing manufacturers to collect and recycle discarded cars, television sets, refrigerators and other used household appliances by the turn of the century, ministry sources said yesterday.

This would be the second step in the government's efforts to reduce waste, following planned introduction of compulsory packaging recycling from fiscal 1997. Japan suffers from a shortage of rubbish treatment plants and soaring waste disposal costs.

The ministry is negotiating with the Ministry of International Trade and Industry and industrial groups about setting up a car and electric appliance recycling system. A panel of experts – commissioned by the health ministry to study ways to reduce waste – will soon set up a special study group on cars and household appliances. The panel is expected to report on forced recycling by June next year based on German and Austrian experience. *Kyodo, Tokyo*

Sumitomo invests in Vietnam

Sumitomo of Japan plans to invest more than $100m in an industrial park outside Hanoi, the semi-official weekly Vietnam Investment Review reported yesterday.

The park would be built on a 300-hectare site in Dong Anh district, not far from Noi Bai, Hanoi's main airport, according to Sumitomo deputy general manager Katsumi Kurita. Talks were under way with the municipal authorities and a deal could be signed by the end of the year.

A plan launched by Vietnam in the early 1990s to attract foreign investors into export processing zones has met with little success. The government this year started promoting industrial parks instead. Unlike export processing zones, these allow foreign investors to sell what they manufacture on the domestic market. *Jeremy Grant, Hanoi*

Jets pound Afghan capital

Jets belonging to opposition Islamic Taleban militia yesterday bombed the Afghan capital Kabul, killing at least 23 people and wounding 120, hospital and ambulance officials said.

Eight bombs, including cluster and parachute bombs, were dropped on residential areas of the besieged capital by an unspecified number of jets.

Earlier, a government spokesman blamed the bombing on Taleban, which seeks to topple President Burhanuddin Rabbani. He said two of the bombs were parachute bombs and two others cluster bombs designed to damage buildings.

The attack came a day after the Defence Ministry said government forces had captured three strategic mountain positions east of Kabul in attacks on Taleban. Taleban has rejected the latest United Nations proposals for a multi-factional council to replace the government and pledged to occupy Kabul by force. *Reuter, Kabul*

Ivory Coast goes to polls

Ivorians yesterday voted in their second multi-party general election, with the main opposition back in the fray after a turbulent presidential poll boycott and hoping to break the ruling party's post-independence monopoly on power.

Witnesses and officials said polling for parliamentary seats appeared to pass off peacefully. This contrasted with the October 22 presidential election, which ruling Democratic Party leader Henri Konan Bedie won in the face of an opposition boycott and political and ethnic clashes that killed at least 35 people.

But supporters of opposition parties had problems getting special voting papers or finding their names on voter lists.

Over 650 candidates from 29 parties are contesting 172 of the 175 seats in the national assembly. The opposition previously held just 17 seats. Ivory Coast, the world's leading cocoa producer, is banking on a reputation for stability to boost investment and economic revival. *Reuter, Abidjan*

Pay rise for Zimbabwe leaders

Zimbabwe has more than doubled the salaries of its government leaders, including President Robert Mugabe and his two deputies.

Mr Mugabe's annual salary and allowances rise to Z$456,000 ($49,165) next July from Z$195,000 in July this year, while those of vice-presidents Joshua Nkomo and Simon Muzenda go up to Z$324,000 from Z$150,000, according to a government gazette published at the weekend.

Cabinet ministers and members of parliament will also receive large salary increases.

The announcement came days after civil servants sued the government for scrapping their end-of-year annual bonuses under a scheme aimed at cutting state spending, currently consuming about 40 per cent of gross domestic product and blamed for slowing economic growth. *Reuter, Harare*

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Pressure mounts for Iraqi climb-down on oil

By James Whittington in Cairo

Iraq is facing increasing pressure to accept a United Nations offer of a limited oil sale to pay for food and humanitarian supplies. Much to the relief of the world's main oil producers, already suffering from a glut, the Iraqi government *has repeatedly* rejected a UN resolution which would allow the sale of up to \$2bn (£1.3bn) of oil over six months.

However, the reduced likelihood of an imminent lifting of sanctions – following the revelations by key members of President Saddam Hussein's family who defected in August – and the decline of the humanitarian situation inside Iraq, has led to international and domestic support for a limited sale to help alleviate the suffering of the Iraqi people.

Baghdad has complained that the strict terms of supervision governing distribution of revenues generated from the proposed oil sale would infringe its sovereignty. But diplomats say there is an internal dispute over how long the government can maintain this position in the face of increasing domestic difficulties.

A recent report by the UN's Food and Agriculture Organisation brings these problems into sharp focus. It says that after five years of sanctions, following the Gulf war, the nutritional state of Iraq's children has declined to that of a less-developed country – on a par with Mali, Ghana and the Congo.

Last week, in his most blunt attack yet on the Iraqi government, Mr Max van der Stoel, who has completed a damning report on Iraq for the UN Human Rights Commission, accused the regime of holding its own people hostage by refusing to sell oil under UN supervision to buy humanitarian supplies.

Diplomats say that irritation over the extent of Iraq's military programme has also prompted some nations – such as France, Russia and the Arab League, which had earlier supported Iraq in its campaign to have a complete lifting of sanctions – to apply whatever pressure they can on Baghdad to accept the limited oil sale.

Faced with the problems of maintaining quota discipline in an already soft market, most members of the Organisation of Petroleum Exporting Countries (Opec), which met in Vienna last week, are concerned about Iraq succumbing to the increased pressure. If Baghdad agrees to the sale, analysts expect a sharp drop in the price of oil – which is already languishing at less than \$17 a barrel – and an urgent Opec review of last week's decision to freeze oil output at 24.52m barrels a day.

One analyst estimates that the sale of \$2bn worth of oil would add a further 330,000 b/d to world markets which, he says, would force Opec into the difficult position of trying to agree co-ordinated cutbacks.

Under an Opec agreement in 1993, Iraq is allocated a small quota of 400,000 b/d to cover domestic consumption and oil exports to Jordan.

Salinas' brother faces growing list of charges

By Leslie Crawford in Mexico City

The controversy surrounding Mexico's former ruling family deepened yesterday after Mr Raúl Salinas, elder brother of ex-president Carlos Salinas, was told by federal prosecutors that he faced charges of forgery and illicit enrichment, on top of the murder charges which have kept him in jail since February.

Mr Raúl Salinas published advertisements in Mexico City's main newspapers at the weekend protesting his innocence, saying he could prove the lawful origin of his wealth.

Under Mexican law he has 10 days to do so. A civil servant since 1982, Mr Raúl Salinas's patrimony includes 39 properties in Mexico as well as \$84m (£54m) in Swiss bank accounts deposited under a false name, according to police in Berne. Mr Raúl Salinas' wife, Paulina Castañón, was arrested in Geneva this month as she tried to withdraw the contents of these accounts with her husband's forged identity papers.

Police in Switzerland said on Friday that she was being held in connection with an investigation into a drug trafficking and money laundering ring. It is the first time a member of Mexico's political elite has been investigated for alleged ties to drug money.

In Mexico, however, the Attorney-General's Office said it had no evidence that Mr Raúl Salinas' wealth derived from drugs.

Although the Mexican press has sought to link Mr Raúl Salinas' alleged misdeeds to his brother Carlos, President Ernesto Zedillo has refrained from accusing his predecessor of any wrongdoing.

Mr Carlos Salinas left Mexico in March after a public row with Mr Zedillo over who held responsibility for the disastrous devaluation of the peso in December and the country's subsequent economic collapse. The former president's whereabouts are unknown.

At a time of great hardship for the vast majority of Mexicans, revelations of the vast wealth of the Salinas family is an embarrassment to Mr Zedillo, who was hand-picked by Mr Carlos Salinas to succeed him last December. Mr Zedillo has been at pains to disassociate himself from the Salinas administration, a government in which he and most of his cabinet served.

In several speeches at the weekend, Mr Zedillo warned that justice would fall heavily on "those who, from a position of power or privilege, commit crimes against our country". He said there would be no "untouchables" in Mexico.

Raúl Salinas, pictured in a police mug shot released earlier this year after being charged with murder

Regulator warns US banks on bonuses

By Richard Waters in New York

A US banking regulator has sent a shot across the bow of the country's banks regarding the size of the bonuses they pay to derivatives and other traders.

The move has been prompted by the heavy losses suffered this year by both Barings and Daiwa Bank, which were caused by the actions of single traders who ran up \$1bn (£640m) losses.

The Office of the Comptroller of the Currency, which oversees nationally chartered US banks, plans to issue guidance in the coming weeks dealing with the way they reward traders. The guidance, first disclosed by an OCC official at a conference in London a week ago, has already aroused concern among some banks, who fear the regulators may be trying to limit the size of the bonuses they pay.

Mr Doug Harris, the OCC's deputy comptroller for capital markets, denied the aim was to restrict bonuses, or that the regulatory body was interfering with issues which should be left to a bank's management.

The aim was to encourage banks to think more carefully about how their compensation systems affected the risks that an institution ran. "If a trader made \$1m, did he do it by putting \$2m at risk? Or did he bet the bank?" he said.

INTERNATIONAL PRESS REVIEW

Diana's diplomatic debut wins faint praise

ARGENTINA

By David Pilling

Most Argentine newspapers dismissed with a cursory paragraph or two suggestions that Princess Diana's visit to their country last week had any political importance, but this did not deter them from having a field day with an event full of colour and controversy.

La Nacion, the newspaper of record, carried a report headlined "The truth behind the visit" in which statements by Argentine cabinet officials that Princess Diana's presence helped the cause of Anglo-Argentine relations were treated as humbug. The real purpose was to provide the princess, ostracised from the British royal family, with a "test of fire" to see whether she was up to the new role she aspired to as a roving ambassador for her country, the paper said.

The Princess of Wales had "bet her personal and political future on the success of her visit to Argentina and she will not permit anything or anybody to make it fail".

But, as most newspapers gleefully reported, there were indeed many trials and tribulations. Widely covered was Princess Diana's encounter with the diminutive but feisty Mrs Lucia Mastroiani, whose 25 year-old-son was one of 300 Argentines killed when a British submarine sank the General Belgrano during the 1982 Falklands conflict.

As the Princess arrived for an engagement at the Angel Roffo hospital, the 75 year-old mother made her way into the area reserved for journalists. Asked by one correspondent what she was up to, she replied cheerfully: "I'm here to insult the princess."

And insult her she did. *Clarin*, Argentine's best selling daily, reported that she "broke the calm atmosphere" by "firing a string of unrepeatable insults" at the passing dignitary. Other papers judged there to be nothing unrepeatable in Mrs Mastroiani's vocabulary which made its way – in large print at that – on to the pages of most newspapers.

The tabloid *Cronica*, whose main story was headlined "Insults and rejection for the pirate princess", also carried an article on the reaction of the veterans' association to her visit. The association groups some of the 12,000 former combatants in the 1982 conflict.

"Her visit is intended to create a smokescreen to obscure the real issue between the two countries, that of the sovereignty of our Malvinas islands, and the exploitation of our natural resources in the south Atlantic, such as oil and fish," the association said.

Princess Diana, referred to unkindly in some reports as "Princess Bulimia" and "Princes Diet", did not get a rough ride from all sections of the press.

Despite an "agitated" day, "Princess Diana was never anything but elegant and sympathetic" in her "pink Chanel suit, with matching blue suede shoes and handbag," said *La Nacion*. After her hectic schedule, *Clarin* reported she "departed for the embassy, without the least sign of fatigue blemishing her face".

The most acerbic report came in *Pagina\12*, the left-wing daily which used the occasion of Princess Diana's lunch at the presidential palace to poke fun at what it regards as the frivolous lifestyle of President Carlos Menem and his entourage.

Talk at the table was dominated by the theme of poverty and "hunger in Africa", the report said, which went on to describe the sumptuous menu.

Pagina\12 listed the great, the good and the hangers-on who attended the lunch, commenting that "all the officials came with their wives". As if in afterthought and in reference to Mr Menem's marital difficulties, it added: "Well, all those apart from Carlos Menem and Princess Diana, for obvious reasons."

The two, however, did not mention failed marriages, the report concluded. "Neither did they talk about the Malvinas, nor about infidelities. Just about poor people."

Venezuela considers exchange rate shift

By Stephen Fidler in Caracas

Venezuela will shift to a unified market-determined exchange rate in the near future and has identified ways to limit its budget deficit to 3 per cent of gross domestic product next year, the country's finance minister said.

With speculation rife in Caracas that a devaluation of the bolivar was imminent, Mr Luis Matos Azocar said the government had decided not to take any action on the exchange rate that would contradict an agreement being negotiated with the International Monetary Fund. "We are holding a very positive conversation with the IMF," the minister said.

Venezuela has had exchange controls and an exchange rate fixed at 170 against the dollar since June 1994, despite an inflation rate of 50-60 per cent. "We are considering an orderly way to be able to lift the exchange controls by the first quarter of 1996," Mr Matos said in an interview.

The bolivar was trading at about 330 to the dollar last week in the so-called Brady market, where a kind of market-determined exchange rate is established through the trading of Venezuela's Brady bonds. However, Mr Matos said that rate exaggerated the bolivar's weakness, because the market was small.

The minister said he believed the government was close to agreeing with the IMF on the 3 per cent figure for the overall public sector deficit in 1996, which would compare with 7 per cent on the basis of unchanged policies. These figures were prior to any revenues from planned sell-offs.

Previously, the government had said the deficit would be cut to 4 per cent of GDP next year. The minister said calculations on this year's deficit had yet to be finalised, although private economists estimate that the deficit – on a consolidated cash basis which may not be directly comparable with the 3 per cent figure – could exceed 10 per cent.

Hopes fade for Ireland summit

By Robert Peston, Political Editor

The British government has abandoned hope of an Anglo-Irish summit on the Northern Ireland peace process before the arrival of US President Bill Clinton on Wednesday.

A weekend of frantic diplomatic activity between Dublin and London failed to resolve the outstanding issues, though Mr John Major, the British prime minister, will today again phone his Irish counterpart, Mr John Bruton.

British officials denied that the peace process had reached an impasse, though acknowledged that progress had been reduced to "a snail's pace".

Mr Major wrote to Mr Bruton over the weekend expressing his disappointment at the difficulties in reaching agreement. However, one British official said that the gap between the Irish and British governments was "tantalisingly close".

Mr Dick Spring, the deputy Irish prime minister, played down expectations that Mr Clinton would be able to resolve the deadlock. "I don't think President Clinton has any tricks up his sleeve", Mr Spring told Irish radio. "He is not coming in that light, and it would be very unfair if either government expected him to offer the solution in the context of our present dilemma."

Agreement between London and Dublin has for the past few days been close on a form of words to be issued after any summit on the "twin-track" strategy for future talks. There is a remote possibility that the governments could issue such a statement before the arrival of President Clinton without a formal summit taking place.

The twin-track approach involves creating an international body to look primarily at "decommissioning" paramilitary weapons at the same time as the start of preliminary talks involving Northern Ireland's main political parties and both governments.

Standing in the way of Anglo-Irish statement is the nationalist Sinn Féin party's reluctance to yield to the British government's demand that the IRA must give up some military equipment before it can enter into the talks. The Irish government is reluctant to launch the twin-track process unless it is confident of Sinn Féin's participation.

Mr Gerry Adams, the Sinn Féin president, repeated that there was little prospect of the IRA making a gesture of handing over weapons. "None of the armed groups are going to disarm unilaterally or as part of a precondition [to all party talks]", he said.

Mr Patrick Mayhew, chief Northern Ireland minister in the British government, made clear that the British government would not soften on this point.

Sinn Féin wants the timing of any arms surrender to be discussed by the international commission which would be chaired by Mr George Mitchell, a senior Clinton aide.

Dick Spring: the Irish deputy premier does not think President Clinton "has any tricks up his sleeve" for ending the deadlock

Row over steel subsidy edges towards agreement

By Stefan Wagstyl, Industrial Editor

The UK and the Republic of Ireland are edging towards agreement in an awkward dispute about plans to support the republic's only steel mill with state aid.

British and Irish officials said the governments made progress in talks in London last week between Mr Richard Bruton, the republic's minister for enterprise and employment, and Mr Tim Eggar, the UK industry minister. But significant differences remained over the conditions under which aid could be granted by the republic's government the officials said.

Further talks are planned for this week in the hope of ending the dispute soon to avoid the danger of casting a shadow over Anglo-Irish relations at a critical time in the Northern Ireland peace process.

Dublin is seeking to persuade London to drop objections to an aid plan for Irish Steel which involves subsidies of IR£27m ($40.7m).

The Irish government wants to refinance the loss-making state-owned plant before selling it for a nominal IR£1 to Ispat International, an Indian-owned steel group. Under EU rules the aid cannot be granted without the agreement of all member states.

The UK and Luxembourg have blocked the deal on the grounds that aid is unfair and will harm other steel producers.

British Steel, the UK producer, raised the stakes earlier this month when it said that if the Irish aid plan went ahead it would probably have to close a plant at Shelton in Staffordshire, with the loss of 400 jobs at the plant and 600 at suppliers.

Irish officials say this exaggerates the possible impact of Irish production on Shelton, since two plants mostly produce different types of steel. They add that Irish Steel, which employs 330 and has a capacity of 450,000 tonnes a year, has less than 5 per cent of the EU market and so has little effect on other producers.

The negotiations between the two governments focus on the size of a proposed output ceiling to be placed on Irish Steel and on limits on the types of steel to be produced and the destination of exports.

While the gap between Dublin and London has narrowed it remains significant in the eyes of British officials, who said that even a small difference in Irish Steel's planned output could have an impact on the market.

Unions claim concession by GM

By our Employment Editor

General Motors of the US appears to have bowed to pressure from European labour unions in a dispute over representation.

The company may have agreed to accept that full-time trade union officials will be able to participate on the company's proposed European-wide consultative works council covering all its employees in Europe, including the 11,000 at its UK subsidiary Vauxhall.

Earlier this year the company said it wanted to establish an employee consultation forum but without any direct role for the trade unions.

GM's conciliatory move promises to pave the way for negotiations to start shortly between the US auto giant and the European trade unions, including those in the UK.

"The company has removed the logjam", said Mr Tony Woodley, the TGWU transport union's UK national officer for the car industry yesterday. Mr Paul Davies, GM Europe's industrial relations director in Zurich, would say only that there had been a "positive exchange of views" between the company and union leaders from the TGWU and the German Metalworkers.

He added: "We are looking for a constructive way forward. Our aim is to achieve a voluntary agreement on a consultative forum by next September." Companies are free to negotiate works councils in the way that best suits their needs before September 22 next year, when the European Union directive is transposed into domestic law except in the UK.

This requires all companies employing more than 1,000 workers with at least 150 of them in two or more EU member states to create consultation and information committees for their employees. Legally UK workers are excluded as a result of the UK opt-out from the 1991 Maastricht treaty although in practice most are being covered by the proposed works councils.

Last June it was revealed that GM had decided to go ahead and establish a consultative works council for all their European employees. But the company wanted to keep out full-time union officials. Unions working through the Geneva-based European Metalworkers Federation refused to accept such a pre-condition.

● Most manual workers in the UK work a 39-hour basic working week, four hours more than the norm for white-collar staff, according to the annual study of hours and holidays published today by Incomes Data Services, the independent UK research organisation.

Unions at Ford and GM are pressing both companies for a reduction of two hours in the working week as part of a new two-year wage agreement, but neither company has agreed to any cut.

Rolling tax cuts set to feature in 'cautious' Budget

By Robert Peston

A rolling programme of tax cuts is expected to be outlined by Mr Kenneth Clarke, Britain's chancellor of the exchequer, in his Budget tomorrow to pre-empt possible disappointment within his party at the limited reductions he will unveil for next year.

The 25p in the pound basic rate of income tax is unlikely to be reduced by more than 1p for 1996-97, in a net package of tax reductions worth around £3bn ($4.68bn). "This will be a cautious Budget without any fireworks", said a senior minister. However, Mr Clarke will indicate how the government intends over a period of years to cut the rate to 20p in the pound, based on long-term public expenditure reductions, some of which have already been agreed.

A senior minister said last night that the impact of the Budget would be "increasingly apparent over time", and that spending curbs would be translated into future income tax reductions.

However, the government is unlikely to legislate in the Finance Act for these future tax cuts, for fear of upsetting financial markets.

A clear indication is also given this morning by the prime minister that no inflationary risks will be taken in the Budget.

In an interview with the Daily Telegraph newspaper to mark his fifth year as prime minister, Mr John Major says his overriding ambition has been "to change the inflationary psychology of the United Kingdom".

"If we have achieved that, we have made the single greatest move towards continuing growth and prosperity for generations."

Insisting that "money is sound again", Mr Major acknowledges that previous budgetary measures could be seen as "hitting supporters" by depressing the housing market and increasing some taxes.

However, there will be no special Budget measures to help the housing market.

Senior members of the government also said Mr Clarke would not adopt the opposition Labour party's idea of imposing a one-off tax on the utility companies.

"It will definitely not happen", said one, though another minister said the idea had been discussed before Labour announced its plan.

To finance tax reductions, the control total for next year's public expenditure has been reduced by £3bn to about £260bn. The brunt of cuts will be felt by the roads programme, housing association grants and the civil service.

Other Budget measures are likely to include a raising of the threshold at which inheritance tax is payable and an increase in the married couples' allowance, to placate the powerful pro-family lobby in the Conservative party.

UK NEWS DIGEST

Rail information system hampered by funding rivalry

Plans for a radical improvement to passenger information systems on Britain's railways have been bogged down by rivalry between the different organisations involved and uncertainty over funding, rail officials close to the project say.

The Informed Traveller initiative, launched with the backing of prime minister John Major, could boost revenues on the railway by hundreds of millions of pounds, according to a leading passenger watchdog. It could help repair the railway's poor image caused by the inadequacy of its existing telephone information systems. British Rail, which owns the national network, has been working on the initiative for the past year and is expected to announce details of the progress made to the Central Rail Users' Consultative Committee, representing passenger interests, at its next meeting on December 6.

But it is still uncertain which organisation would fund the project – the train operating companies, Railtrack or British Rail. Ideally, the scheme should be run by the Association of Train Operating Companies, which groups the 25 train operators, but this is still an embryo organisation without resources of its own, according to officials involved in the project. The effect has been to leave preparations to British Rail but some participants accuse BR of failing to give a high enough priority to the scheme.

BR has been trying to decide whether it should do the work or contract it out. The scheme would involve computerised information systems to provide travellers with up to date information on train timetables, delays to scheduled services and fares. Information would be available on station platforms, on trains, and through telephone or computer links to travellers at home. The cost could run into millions of pounds.

Charles Batchelor, Transport Correspondent

Labour advised to borrow £20bn

An incoming Labour government should look to spend £20bn a year more than it raises in taxes during the course of the next parliament, according to the Institute for Public Policy Research, the soft-left think-tank.

Mr Dan Corry, the IPPR's senior economist, and Mr Gerald Holtham, its director, argue that this target for borrowing – which is above the Treasury's current projections – would raise public debt as a proportion of national income by five percentage points to between 53 per cent and 54 per cent. "There is a large backlog of public investments in education and so on that are necessary and could justify a one-off rise in the ratio," they say.

In a new pamphlet they also recommend that the government's inflation targets should be replaced with a 4 per cent to 7 per cent target for annual growth in the cash value of national spending. They also favour "clear co-ordination of monetary and fiscal policy which precludes monetary policy from being determined by a Bank that independently sets its own targets".

Robert Chote, Economics Editor

Cadbury Schweppes tops poll

Cadbury Schweppes, the confectionary and soft drinks manufacturer, is Britain's most admired company according to a survey published by the magazine Management Today. Based on the views of top executives of the country's 10 largest companies in 25 industrial sectors, as well as analysts' opinions, the 1995 poll put the food group Unilever in second position and awarded Top Five rankings to Smiths Industries, Tesco and Whitbread.

At the other end of the scale, Trafalgar House in 250th place is Britain's least admired company with the lowest ever score for the quality of management. Eurotunnel was in penultimate place.

Tim Dickson

Postal staff back to work

Postal workers across Scotland were last night returning to work after two mass meetings in Edinburgh and Glasgow yesterday voted to support an agreement between Royal Mail managers and union officials. The 14-point plan includes the promise of a UK-wide review of arrangements for the provision of delivery services. Talks between the two sides are set to continue until the middle of January.

Royal Mail predict it will take most of the week to clear the 12m letters and packages which have accumulated in delivery offices across the country since the unofficial strike began last Monday. Around 5,500 staff had joined the strike, sparked by a change in working practices at Portobello delivery office, outside Edinburgh.

PA News

Hi-tech jobs for N Ireland

The British government is set to announce 900 more new jobs for Northern Ireland, more than half of them created by USA companies investing in the province for the first time since the Irish Republican Army's ceasefire.

More than 300 are jobs going to Londonderry where US-owned computer company Stream International is to be established. It is one of four greenfield inward investment projects to be announced today and tomorrow. The second involves another US company and the two others are from the Irish Republic. Last week, more than 1,800 extra jobs were confirmed in the province.

PA News

Trading plan would create a 'hybrid' market in largest companies

Exchange weighs radical shake-up

By Norma Cohen, Investments Correspondent

The board of the London Stock Exchange is to consider plans for a radical shake-up of UK share trading at a meeting on Thursday, having rejected a similar scheme two months ago.

The plan, supported by the exchange's executive, would create a so-called hybrid market for trading in the shares of the UK's 350 largest companies.

Although the move is opposed by some of the exchange's largest and most influential members, it is supported by many others, particularly US and European firms which use alternative systems in their domestic markets. Recently, Mr Michael Lawrence, the exchange's chief executive, made an impassioned plea for London to accept the fact that investors wanted choice.

"No market ever provides a single method of trading," Mr Lawrence said in an address to City legal advisers. "We have to reposition the exchange to maximise its potential in an increasingly competitive world."

The exchange currently offers a "quote-driven" system under which marketmakers display the best price at which they will buy or sell shares of a given company on an electronic bulletin board. Those wishing to trade use the telephone to strike a bargain for the desired number of shares and their appropriate prices.

However, a rival to the exchange, Tradepoint, is offering an "order-driven" system in which users display the number of shares and the price at which those are available for purchase or sale and bargains are struck electronically. On the London Stock Exchange, only shares in the smallest companies are traded via an order-matching system.

The exchange's plan would create a hybrid – allowing both quote and order-driven trading even in the most liquid stocks via the new Sequence VI trading platform which will become available next July.

London's largest marketmakers, who put their own capital at risk to buy and sell shares throughout all market conditions, oppose the move because they say it will allow their competitors to move prices against them.

They point to the relative paucity of trades on Tradepoint – to which many marketmakers have subscribed – as evidence of the lack of investor interest in alternative systems.

However, other smaller marketmakers and investment banks say they have shunned Tradepoint because it is available to institutional investors who are their customers. They say they would much prefer the exchange to develop its own order-matching system which would be for use exclusively by intermediaries.

Executives from Easdaq, the pan-European stock exchange which plans to launch next year, will this week begin marketing the institution to more potential shareholders, *Christopher Price writes.*

The move follows agreement of a business plan, which forecasts pre-launch losses of Ecu2.4m ($3.11m), and cumulative losses in the first three years of operation of Ecu6.2m. By year five, the exchange forecasts annual profits of Ecu579,000.

The aim of the marketing is to raise around Ecu10m to cover the start-up and initial losses. The new market envisages having 50 companies in its first year of operation, growing to 500 after five years.

Easdaq is hoping to replicate the success of Nasdaq in the US, which has attracted hundreds of members, particularly from young, fast growing high-technology groups. The US market currently holds a 5 per cent stake in Easdaq and is providing advice to the European venture.

The links between the two exchanges will be strengthened by a dual listing facility. The European market estimates that at least 25 Nasdaq stocks will take the dual option, particularly European companies which have failed to attract investor support in their own countries of operation, such as cable groups in the UK.

Easdaq raised Ecu1m earlier this year to fund the early development of the system. Since then, membership of the associated European Association of Securities Dealers has grown to 67. Agreement has also been reached with the International Securities Market Association (ISMA), which will build the Easdaq trading system and operate it alongside their existing trade confirmation system, Trax.

It is linked to the European settlement organisations Euroclear and Cedel.

A draft rule book, admission requirements and technical specifications have all been completed. Providing it recieves regulatory approval, Easdaq hopes to open for trading in the fourth quarter of 1996.

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THIS WEEK

Chirac prescribes a bitter pill

DATELINE

Paris: persuading the French to take less medicine may prove a headache, writes David Buchan

My Paris barber recently recounted to me an example of waste in the French health system. In clearing out the apartment of his late parents-in-law, who had died within months of each other, he and his wife had filled three big garbage bags with unfinished or unused drugs and medicines – which he then threw away.

A few years back, Bernard Kouchner, who doubled as the Socialists' minister of health and of humanitarian aid, introduced a scheme to encourage pharmacies to take back unused drugs so they could be sent to drug-needy countries.

But the idea lapsed with Kouchner's departure. The government of Edouard Balladur then tried, with some success, to go more to the root of the problem by threatening to penalise pharmaceutical companies for over-promoting drugs and doctors for over-prescribing them.

However, Balladur was defeated for the presidency by Jacques Chirac, who derided his fellow Gaullist opponent for taking an "accountant's" view of health and for threatening to "ration" medical care. One of Chirac's most successful campaign lines was to recall that French medical advances had increased life expectancy by an average of one year in every four years that passed: "You see that in the hour that I've been talking to you, you've gained an extra 15 minutes of life." Audiences loved it, especially any doctors present.

Now the tables are completely reversed.

To stem the social security deficit, Chirac is backing reforms by his prime minister, Alain Juppé. These will raise some health insurance charges, impose spending controls on pharmaceutical companies' sales, doctors' prescriptions and hospital operations, and demand a financial contribution from doctors and drug companies to help close the social security deficit.

Of France's medical extravagance, there is no doubt. The French spend much of their wealth on health – 10.3 per cent of their GDP. Internationally, this puts them in third position behind the US, the unquestioned gold medal holder, and Canada, although it is only a fairly recent sprint that has gained France its bronze; in 1980 it ranked only 7th in the world health spending league.

But France is no more the world's third healthiest nation than America is its healthiest. True, French women last longer nowadays. Their life expectancy is second only to that of Japanese women, and the world's oldest known woman at the moment is from Arles. But this Arlesienne has reached the improbable age of 120 by apparently taking nothing more pharmaceutical than chocolates. In terms of male life expectancy and of infant mortality, France ranks 10th. Why the French should want to pop so many pills is not clear. Perhaps they have been a nation of hypochondriacs since Molière wrote *Malade Imaginaire*. What other country would have an Institut du Stress?

One thing about this obsessive interest in health that is particularly striking is the way extremes of expertise and ignorance co-exist. France's Pasteur and Mérieux institutes may be world leaders in medicine and vaccines respectively. Yet one cardiologist recently remarked that six out of 10 people who came to him were suffering from wind pains which might be alleviated just by eating less.

How the French spend so much on health is easier to explain. They have a system which combines US-style freedom of choice for patients and doctors with a European rate of state reimbursement of costs. Patients can shop around among doctors to find one who suits them or who prescribes the treatment they think they need. Doctors know this and prescribe accordingly.

In France you can also go directly to the specialist of your choice, often just by consulting the phone book. So France, which in terms of industrial nations has an average number of doctors (165,000) for its size, is unique in Europe in having almost that number of specialists too.

Not long ago I visited a dermatologist. She told me she was one of 3,000 dermatologists in France. She also said she knew that the UK had only 300 such skin specialists. The reason was that virtually all skin specialists in the UK are located in hospitals and only treat people referred to them by general practitioners.

Any remedies that smack of health rationing, limiting patient choice or imposing delays on medical treatments are likely to be strongly resisted in France. French newspaper readers have read horror stories about the UK's health system and do not want them repeated in France.

In addition to placing new financial controls on the medical industry, the Juppé government is using other means to try and change behaviour. One is to extend the use of a *carnet de suivi* (literally, "a follow-up card") which records all the medical treatment which its holder has received. At the moment it is optional, but next year it is to be issued to all people over 70, and in 1997 to everyone.

Ostensibly, these *carnets* are being promoted as essential to prevent patients receiving dangerously incompatible treatments from different doctors. But the real aim is to crack down on over-prescription.

Body politic: remedies that smack of health rationing are likely to be strongly resisted

PEOPLE

Moores get-together promises fireworks

Ian Hamilton Fazey outlines the family tensions unleashed as Littlewoods faces up to a possible bid

Most of the UK's collectively super-rich Moores family will meet in secret in London this week at their twice-yearly forum.

They will have before them a report commissioned from Michael Gatenby, former deputy chairman of Charterhouse, spelling out the options for handling and realising the fabulous wealth they own in Littlewoods, the football pools, retailing and mail order group; 32 members of the Moores family own Littlewoods between them.

What they learn will almost certainly decide the outcome of an extraordinary general meeting next week, to be held in private at Littlewoods' Liverpool headquarters.

The meeting will consider a request from Barry Dale – sacked as Littlewoods' chief executive last March – to open the company's books so that he and a consortium of financial institutions can carry out the due diligence test needed to make a bid worth at least £1.2bn for the company.

The decision has implications beyond Dale's own prospective bid, however. Dale is seen by Littlewoods' senior management as a stalking horse. By allowing him to make a serious offer, the shareholders would, in effect, put Littlewoods – the UK's largest privately owned business – into play, almost certainly sparking an auction.

It is impossible to predict the outcome, for this is a family that is neither at one nor at ease with itself.

All the shareholders are descended either from Sir John Moores, the inventor of football pools and founder of Littlewoods, or his brother Cecil. While they were alive, the threat of disinheritance meant there was very little dissent. When Sir John followed his brother to the grave two years ago at the age of 97, the last vestiges of enforced unity, already weakened by his increasing ill-health, went with him. Sir John and Cecil gave their children and grandchildren just enough material support to make them comfortable, and all they could have wanted in terms of educational opportunity; but they starved them of dividends from the business.

Instead, they ploughed back the profits, while bestowing on Merseyside charities, its football clubs and the arts, philanthropic largesse. When Liverpool Polytechnic made the leap to university status, few quibbled at its taking Sir John's name, acknowledging his well-earned status as Merseyside's greatest post-war benefactor.

Family divided: the late Sir John Moores (right) and his son Peter

There are more than 50 direct descendants of the two men, increasingly scattered about the UK and beyond. As a result, ownership of Littlewoods faces progressive dilution, with future shareholders increasingly remote from the origins of the business. Some younger family members are known to want their inheritance. The question is how many votes they command.

There might not be enough for the 75 per cent majority needed to sell the business, but it is not clear whether the issue of opening the books to Dale can be decided by simple majority. Once an auction started and the price rose, more might be tempted to sell.

The main champion of holding on is Lady Grantchester, Sir John's daughter Betty. Along with her son, James Suenson-Taylor – who is seen as a potential chairman by some in the family – she is one of three shareholders on Littlewoods' board of directors. The third is John Moores Jr, her brother, a tireless worker for the university that bears his father's name, as well as for a host of charities and the arts.

Their brother Peter, a former chief executive who was pushed aside by his father for not measuring up to his demands, will not be involved. He sold his 22 per cent holding to the family after Sir John's death and has since been pursuing his interests in shooting and opera.

Of John Moores' children, his eldest son, John III, was also thought a likely chairman, but he resigned from his management job at Littlewoods last April and decamped to Monte Carlo, which does not suggest sympathy for a Suenson-Taylor succession.

The views of Sir John's fourth child, Janatha, are unknown. Of Cecil's children, Nigel, the eldest, died in a car accident some years ago, while David is known in his own right as chairman of Liverpool Football Club and a patron of heavy metal rock bands.

A clue to how things may be shaping, however, came last week when Littlewoods' management announced a plan for the company to borrow up to £250m to buy out shareholders who want to go. If the intention is to match Dale's offer, this suggests that up to 20 per cent of the votes may be involved.

Leonard van Geest, the chairman, and Bill Huntley, chief executive, want Dale to be turned away and for the present management to be given its chance.

Their trump card is that Littlewoods' performance can only improve if their £100m investment programme is allowed to take effect. In the medium and long term, any shareholders wanting an exit will probably get greater value if they hold on.

NAMES IN THE NEWS

Brabeck preaches the anti-advertising gospel at Nestlé

Peter Brabeck, who becomes chief executive of Nestlé in June 1997, has sometimes annoyed his senior colleagues by forcefully arguing that advertising is losing its power to motivate consumers. But at least he has devised novel alternatives which have gathered customers to the world's largest foods group, Roderick Oram writes.

The habit of deep questioning and innovative answers will serve him well as he tries to bring tighter focus and sharper skills to the Swiss group, much expanded under 14 years of strong leadership by Helmut Maucher.

The "Maucher years" are far from over, however, since the outgoing ceo will remain chairman until he turns 72 in 2000. Quite how the two men will share the duties concerns analysts, who applauded the appointment but worried about the overlap. "The real issue is how much change Brabeck can affect," one said. "But I think he's a pretty forceful chap."

A 51-year-old Austrian, Brabeck started life at Nestlé as a frozen food salesmen in Vienna in 1968. His big break came in 1987, when he was given the job of running culinary products worldwide. Since 1992, he has headed a large chunk of Nestlé's food business plus confectionery, ice cream and pet foods.

For the past three years he has also served as the group's chief marketing strategist, the ideal pulpit from which to preach a new communications message.

Advertising, he argues, is losing power for three reasons: the growth of retailers' own brands is cutting off manufacturers from consumers; mass audiences are splintering, thanks to satellite television and other new media; and food makers have wrongly focused on products and processes, rather than their foods' essential qualities.

Brabeck's response is best seen in his handling of Buitoni, the Italian pasta maker Nestlé acquired in 1988. He created instant heritage by buying the Buitoni family villa in Tuscany and turning it into a development centre. A Buitoni "club" and magazine were set up, along with other initiatives to involve consumers in a total Buitoni experience.

This way, Nestlé is rapidly building a global brand in the face of indifferent retailers and a babble of competing advertising.

Kvaerner chief's international mission

Norwegians may have done very nicely since they said "Nei" to joining the EU a year ago – the economy has never been stronger – but not everyone in the country is happy to sit in oil-pampered comfort while the rest of the world slips by, reports Hugh Carnegy from Stockholm.

Erik Tonseth, the no-nonsense chief executive of Kvaerner, Norway's second largest quoted company, is a man for whom spreading his business internationally has become something of a mission. Last week he launched his latest move, buying a 12 per cent stake in the British construction group Amec. He has his eye on Amec's oil and gas installation operations in the British sector of the North Sea and elsewhere.

Tonseth caused a stir during the campaign for the referendum on EU membership by suggesting that Kvaerner might move out of Norway if there was a No vote. "We would have to consider if it would be good for us to remain in Norway . . . we could not afford to remain in a closed, nationalistic environment," was his characteristically blunt comment.

He has not so far carried out his threat. But the headquarters of the oil and gas division – second in size to shipbuilding – is to be moved from Oslo to London, while a move by group headquarters has not been ruled out.

In seven years under Tonseth's stewardship, Kvaerner has become Europe's biggest shipbuilding concern. More remarkably, Kvaerner shipbuilding profits have been rising this year, at a time when other European shipbuilders have been in trouble.

Tonseth started by buying up the Govan yard in Scotland in 1988, shortly after he became chief executive. That has proved a net loss-maker, despite British government support. But Kvaerner has since picked up the highly efficient Masa yards in Finland for a song and acquired the Warnow yard in Rostock, supported by huge subsidies from the German government. Its next project may come in China, where it is discussing participation in a new shipbuilding complex planned near Shanghai.

The first priority will be to sort out the play on Amec, which has been complicated by Amec's subsequent bid for Alfred McAlpine. An aide to Tonseth says he sees a bigger presence in London as adding to the "political pull" the business needs to expand – and which is not to be found back home. "It's not so easy to catch up with world leaders in Oslo," adds the aide.

FT GUIDE TO
THE DOW JONES AT 6,000

US shares just keep going up, The Dow Jones Industrial Average only went above 4,000 last February, yet now it's topped 5,000. How about 6,000? What's going on?

There are two ways to answer that. One is that the US economy seems to have got itself into a comfortable rut. Inflation is low, interest rates are low, and growth is low but seemingly steady. That may not set the pulse racing, but it has proved a good backdrop for US companies.

What's the other answer?

The average American has poured money into the stock market this year, and that always makes shares go up. Last year the fashionable thing to do was put your spare cash in an emerging market mutual fund, but Mexico's problems have made people think twice about all that. And, thanks to a lot of buying by foreigners, bond prices have got very high again, so they've become less attractive. That has left the stock market.

Has all this made US shares expensive?

On the most widely used valuation measure – the one that relates share prices to company profits – not particularly. The strong rise in corporate earnings has continued this year, at a time when many people thought earnings growth was running out of steam. Certainly the price/earnings ratio, in the high teens, is at the higher end of its traditional range. But the p/e ratio is by no means stretching credulity, provided you believe that corporate earnings are not about to slump.

What are the chances of that happening?

Well, there are risks. In its current euphoric mood, the stock market almost seems to believe that the business cycle is a thing of the past. Steering a path between boom and bust is notoriously difficult, even without the unpredictable external shocks the world has a habit of dealing out.

And even if there is no recession on the horizon, the fuel provided by a low inflation/low growth economy may simply have too low an octane content to keep driving earnings higher. Without strong economic growth, and with few opportunities to put up prices, US companies have had to rely on productivity improvements and restructurings to lift earnings.

This will not be an endlessly repeatable exercise: there are only so many times you can lay off thousands of workers, or sell off unprofitable divisions. Also, the advances in productivity made by US manufacturers have been exaggerated by the decline of the dollar. A reversal would wipe out much of the competitive advantage in the world market.

What about other valuation measures of US shares?

They look mixed. With bond prices so high, shares look relatively good value. But the dividend yield on shares – traditionally above 3 per cent – has now fallen as low as 2.3 per cent. Put simply, for those who live off the dividends on shares, the stock market is a very bad deal right now.

So if stocks are beginning to look expensive, we shouldn't be buying them?

There are two answers to that, too. In the short term, stocks may indeed have started to look expensive, but trying to time the stock market's next turn is an impossible exercise. Nobody on Wall Street earlier this year thought the market would rise to anything like its present level. And nobody knows where it is heading next.

You could have made a solid argument for why share prices were expensive back in February, and missed out on a great stock market run. Explanations of why stocks have gone up or down are always just rationalisations after the event.

What are the chances of a 1987-style crash?

Please, don't use that word when you speak to your stockbroker. The proper market term is a "correction", or even a "market break".

Well, it felt like a crash in October 1987.

Viewed from this distance, it was a blip – OK, a big one – in one of the longest bull markets of the century. The stock market now looks overdue for another blip. It hasn't had a significant correction since the autumn of 1990, and share prices will not move in one direction for ever.

You said earlier that there were two answers to the question of whether shares looked expensive. What's the other one?

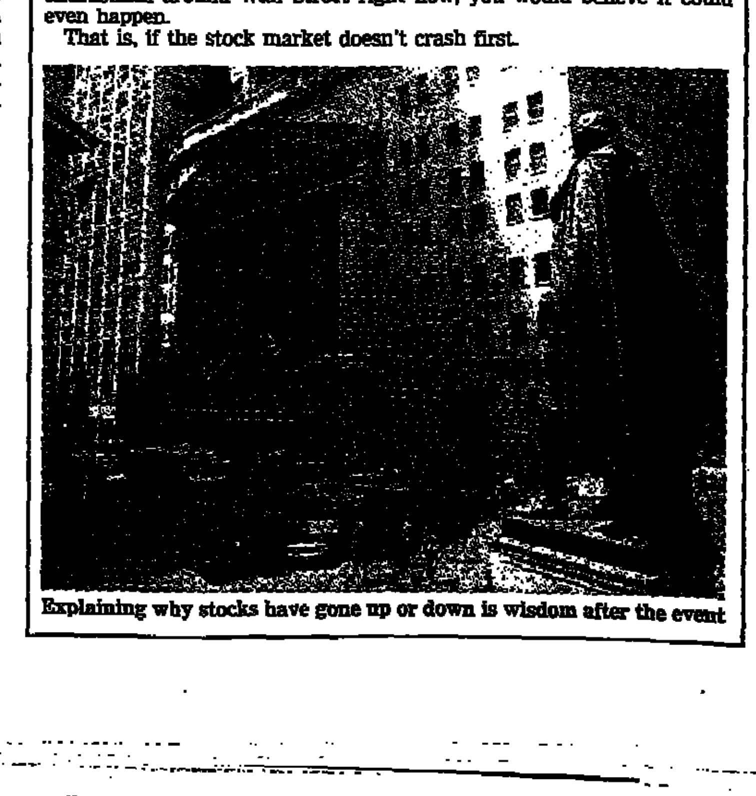
This is the longer-term answer. The post-cold war world has created a wealth of new markets for US companies. If the optimists are right, political stability and economic growth throughout Asia, Latin America and eastern Europe will create billions of new consumers. This is all happening in the midst of a technological revolution which makes it easier and more efficient to run global companies.

If you accept this triumphalist argument, which holds that US companies are the best positioned to dominate this new era of global consumerism, then share prices – based on the current dynamics of world markets – are by definition cheap. But it's only a theory.

So when's the stock market going to get to 6,000?

As long the mood of triumphalism lasts, the answer seems to be: soon. And why stop at 6,000? At least one pundit on Wall Street last week was calling for 10,000 by the end of the decade. If you judged solely on the enthusiasm around Wall Street right now, you would believe it could even happen.

That is, if the stock market doesn't crash first.



Explaining why stocks have gone up or down is wisdom after the event

MUSIC

■ David McAlmont and Bernard Butler's "Yes" was one of the surprise hit singles of recent weeks, with its unfashionably grandiose production and lack of an obvious hook.

The duo's album *The Sounds of McAlmont and Butler* (Hut) is similarly full of good ideas and unlikely directions, from the Prince-like "What's the Excuse This Time?" to the excellent follow-up single "You Do".

McAlmont's is one of the most exciting voices around right now, and ex-Suede man Butler provides some startlingly original arrangements and tasteful guitar licks.

■ Kathleen Battle's *So Many Stars* (Sony) is one of the more successful crossover projects to come from the operatic world over the past year.

Battle teams up with Grover Washington Jr, Cyrus Chestnut, Ira Coleman and other jazz luminaries in this collection of lullabies, love songs and spirituals, for which her voice is ideally suited.

At worst, the album sounds a little over-polished, but the gorgeous timbre of that voice usually deflects any criticism.

■ On the less acceptable side of blurring the boundaries of music-as-we-know-it, *Christmas in Vienna III* (Sony), a live recording featuring Plácido Domingo, Sissel Kyrkjebo and Charles Aznavour, is enough to make one wish it was January.

Domingo and Aznavour swapping inanities on "When a Child is Born" proves that – even in these wacky, eclectic times – there is still such a thing as culture shock. And it doesn't feel good.

■ The Romanian mezzo-soprano Ruxandra Donose and the American tenor Thomas Harper feature in a new recording of Mahler's *Das Lied von der Erde* on the bargain-priced Naxos label.

Michael Halász conducts the National Symphony Orchestra of Ireland.

■ Swedish band Ace of Base – Abba without the melodies – are full of the joys of life at present.

Their latest album, *The Bridge* (London), kicks off with "Beautiful Life": "You can do what you want just seize the day, what you're doing tomorrow's gonna come your way." The composer, Jonas "Joker" Berggren, has the audacity to explain how the words and music came to him.

Peter Aspden

FILM/VIDEO

■ Kenneth Branagh is an example to us all. Stomped on for *Frankenstein*, sneered at as a luvvie, estranged from Mrs B – and he comes back with *In The Bleak Midwinter* – or *Carry on Hamlet* by another name. As a dozen amateurs put on Shakespeare's show in a country church, the film's cast fizzes away, led by Joan Collins, Jennifer Saunders, Richard Briers, John Sessions and Michael Moloney as the actor-director.

Made in black-and-white on a molecule-sized budget, it still wins us over.

■ *The Santa Clause* is passable pre-Christmas fare: a Disney romp which features a father bequeathed sleigh-and-reindeer by a dying Santa. *Candyman II* explains itself – more horror with the hook-wielder.

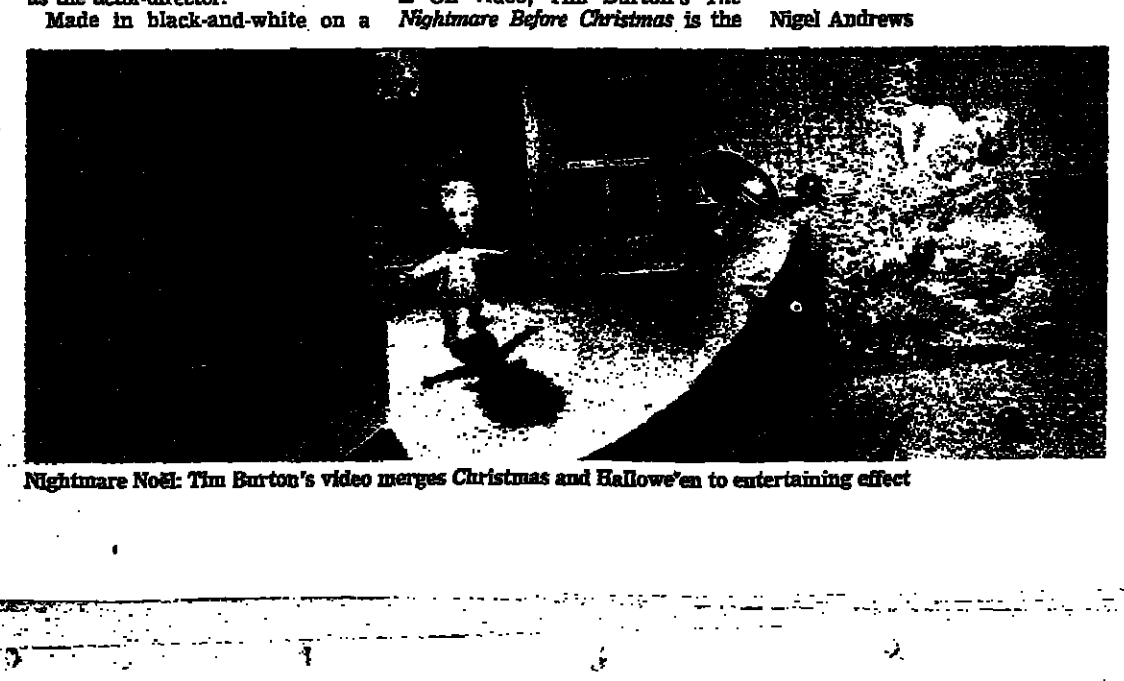
And *Murder in the First* is a crime thriller starring Gary Oldman and Christian Slater.

■ On video, Tim Burton's *The Nightmare Before Christmas* is the best buy if your children are climbing the walls in Yuletide anticipation.

Good songs, splendid animation and a wickedly funny plot.

Also on video, Nigel Hawthorne goes off his 18th century trolley in *The Madness of King George*. In *Pelle The Conqueror*, Max Von Sydow bestrides the Cannes prize-winning Danish epic about immigrants struggling in a new land.

Nigel Andrews



Nightmare Noël: Tim Burton's video merges Christmas and Hallowe'en to entertaining effect

MANAGEMENT

Munich Re found that being biggest was no longer enough, report **Ralph Atkins** and **Andrew Fisher**

A giant step for reinsurance

The colossus is stirring. Confronted by fierce market pressures, Munich Reinsurance, the world's largest reinsurance company, has been forced to become more agile. It even has a 50-foot white statue – the featureless "Walking Man" – outside its newest office building to symbolise its aim of combining strength and mobility.

Munich Re dominates the business of insuring the world's insurance companies against big losses. Its investments have a book value alone of DM111bn (£50.6bn) – sufficient to pay claims from the largest catastrophes imaginable – and their unpublished market value is certainly substantially higher. As Robin Mitra, European insurance analyst at Merrill Lynch, the US investment house, says: "It is the Rolls-Royce of the reinsurance industry."

But being the world's biggest is no longer enough. Munich Re has to react to competitive pressures as strong as any earthquake.

Reinsurers' recent profitability could lead to premium rate reductions which threaten to erode earnings – in spite of ominous warnings from Munich Re that rapidly spreading industrialisation and climatic change are causing ever more costly catastrophes.

The corporate environment is also changing. Employers Re and General Re of the US, the world's third and fourth largest reinsurers, have taken control respectively of Frankona and Cologne Re, both substantial German reinsurers, while Swiss Re, the world's second largest, raised SFr5.5bn (£3bn) a year ago by selling its conventional insurance companies to concentrate on its reinsurance business.

Meanwhile, in the tax haven of Bermuda, innovative and fast-growing reinsurers are developing policies that bridge the boundaries between insurance and investment products, which could offer cheaper, more flexible ways of protecting insurers' balance sheets.

Munich Re's response has been low profile but bold, at least by German standards. Most dramatically, Hans-Jürgen Schinzler, 55, chairman since 1993, has introduced sweeping management changes, abolishing job titles and ending "chimney careers", in which employees advanced steadily up the hierarchy. Instead of a deeply hierarchical structure with as many as 10 layers, in which every third employee had a title, Munich Re now has only three management levels below the board.

"This was quite a drastic step in an organisation like ours," says Schinzler. It was certainly unusual in the hidebound world of German finance. Rudolf Ficker, a Munich Re director, says: "Now we are ahead of the pack. We get calls from the [insurance] industry and outside to ask how we did it."

The changes were aimed less at cutting costs than at controlling risk exposure. As Schinzler points out, Munich Re's own administrative expenses are relatively unimportant, being equivalent to 3 per cent of premium income. But a large hurricane or earthquake can have far more impact on profits than any restructuring exercise.

Reinsurers are looking to work more closely with insurers to understand the risks, and ensure good business is not lost to competitors. So the main aim of Munich Re's restructuring was to speed up response times and delegate authority.

"Too many decisions were being referred back and forth between hierarchies," Schinzler explains. "We want to be faster and more flexible."

Another obvious pay-off for Munich Re is that it can respond more quickly to clients' needs, especially abroad. In the fast-growing Asian markets, for example, Ficker, who is responsible for the region, says: "We want to put more underwriting responsibility locally."

Munich Re's increased focus on risk control has earned it a reputation as a pedlar of doom and gloom on the escalating cost of disasters and liability laws. Last year it pledged to reduce or terminate business connections where it believed the premiums did not justify the risks. Thus, premium income in fire business, for example, was down by 12 per cent. Overall, group premium income rose marginally to DM 29bn with net profits 8 per cent higher at DM 325m.

However, the focus on making profits on the core business has paid off. Munich Re says a disaster now of the scale of hurricane Andrew in 1992 would cost it only half as much as the $300m (£190m) it had to pay out.

Angus Runciman, European insurance specialist at Barclays de *Zoete Wedd, says: "They have been* battening down the hatches in certain areas and there appears to be a more concerted effort to concentrate on risk selection and pricing."

As a result, for the first time since the late 1970s, Munich Re produced a reinsurance underwriting profit in 1994-95 of DM93m – against a DM1.1bn loss two years earlier.

The vulnerability of reinsurers' profits to large catastrophes makes it hard to predict whether that performance can be sustained. But, says Schinzler: "We would like to make underwriting profits every year. This is certainly a goal."

Staff salaries now have a larger performance-related element and Munich Re has also set targets for returns on equity. These have not been published for fear of giving too much information to rivals, and would anyway, says Schinzler, be meaningless for comparisons, given differences between companies in the treatment of reserves, shareholder funds and other assets.

To that extent, Munich Re has failed to shake off its image as secretive and conservative. This is epitomised by the valuing of its prestigious Munich headquarters in the group's accounts at only a few million D-Marks, a fraction of its true value.

"It is just so difficult for anyone to really find out what is going on," says Runciman.

In contrast, Lukas Mühlemann, the new chief executive of rival Swiss Re, has not only created a stir by selling the group's direct insurance operations, but has published a target rate of 15 per cent return on equity.

Schinzler says Munich Re and Swiss Re have basic differences in approach towards conventional insurance. He argues that Swiss Re suffered because its direct insurers had been acquired only recently and had performed poorly. "With Munich Re the situation is quite different. We have had our German direct insurance group for decades. All of the group have produced good profits. It is a very good strategy to have that direct insurance group because reinsurance is, by definition, a volatile business."

Munich Re is also more cautious than its Zurich-based rival about the prospects for developing new reinsurance deals. Swiss Re has in the past year linked up with CS Holdings, the financial services group built around Crédit Suisse, to expand its product range.

Meanwhile, Munich Re is investigating the possibilities for selling more actively "financial reinsurance" products. These involve investing a client's money to provide a guaranteed financial cushion against a catastrophe. For some clients, such contracts could be less costly; for reinsurers, they offer less exposure to risk.

Schinzler says a joint venture is possible. "We're talking to several banks . . . to see whether or not it would make sense to join forces."

Nor does he rule out a Bermuda location for any new venture, although he adds: "At present we are investigating these investments by ourselves internally and so far no one has really come up with anything that is absolutely convincing."

Swiss Re and Munich Re are alike, however, in looking to expand their geographical spread – not only to tap profit opportunities but also to balance their exposure to risks in particular parts of the world. Reinsurers are generally looking to balance exposure to expensive catastrophes in the US with lower risks in Europe or – particularly in Munich Re's case – East Asia and South America.

That, Schinzler says, is why General Re and Employers Re have expanded their European operations. He does not think the new arrivals pose as great a threat as might be feared, because they will be looking to recoup acquisition costs and protect their returns. "Our competitors are on the same trip as we. We all want to have a profitable business," Schinzler says.

He believes the real competitive threat is "uninformed capital" – reinsurers without Munich Re's experience and expertise in risk assessment who threaten to drive prices below profitable levels. "There may be too many players who do not know what they are doing."

Munich Re, with its massive financial resources, could always undercut others and maintain or increase market share, but at the expense of profits. Schinzler warns: "One should not say 'bigger is better'. There may be an ideal size. The problem is not the volume. The problem is the quality of the business."

Doom and gloom merchants

Today's unforeseen problems are tomorrow's big insurance pay-outs. Munich Re is constantly on the look-out for the next source of costly claims which would also affect reinsurers. So, as well as monitoring natural and man-made disasters, it watches to see what might turn out to be the next asbestos or environmental pollution.

Current preoccupations include the health hazards of mineral wools, as used in loft insulation, and electromagnetic fields.

As yet, Munich Re does not have comprehensive research or data on potential claims, but Hans-Dieter Sellschopp, a Munich Re director, says: "In some areas, we can see initial developments which might be comparable with the first stages of asbestos 30 years ago."

In its latest annual report, Munich Re also warns that: "As measuring and detection equipment are continually refined, products and substances previously regarded as harmless will be recognised as hazardous to health. In addition, more and more refined techniques make it possible to target responsible parties even more precisely and thus result in even more claims for damages."

When environmental pollution claims began to escalate in the 1980s, insurers changed liability insurance policy terms from an "occurrence" basis to "claims made".

An occurrence basis policy covers the year when the insurable event occurred. With pollution losses, which may take many years to emerge, insurers can find themselves paying claims on policies that are decades old. With "claims made" policies, claims have to be made within a certain period covered by the policy.

Munich Re is now pressing for a similar change in wording on a broader range of policies and, in some areas, is demanding such a change as part of its contract to reinsure an insurer. Says Sellschopp: "We just want to alert underwriters' minds to the problems that might develop."

FAST TRACK

Muzak Europe

As in any industry, the world of "muzak" has big and small players. At the very top, there's Muzak of the US, a 61-year-old company whose name has become a generic term for background, or functional, music – sometimes also referred to unkindly as "elevator music". And then there's Alcas, a Dutch specialist in background music which, although just a fraction of Muzak's size, has recently become the US company's partner in a venture to bring satellite-based functional music to Europe's department stores, hotels and petrol stations.

Their 50/50 partnership, Muzak Europe, is designed not just to beam music across Europe but also to provide in-store advertising, business television and data communication. If successful, it will catapult Alcas into faster growth, capping a year that has included two domestic acquisitions which have broadened the company's traditional base in bars and pubs to include clothing stores and other retail outlets.

The genesis of the muzak joint venture was an article in a Dutch magazine about Muzak's 60th birthday. Eric van der Horst, Alcas' managing director, said the article made clear that Muzak was at the forefront of satellite broadcasting. This led to letters and telephone calls to Muzak in Seattle, and a visit to the US company's headquarters several weeks later. Van der Horst's opening line was "Hello, we're the small fry from Europe".

The difference in size was indeed dramatic. Muzak, a privately-held company whose turnover is estimated at $150m (£95m), reaches 80m consumers a day, mainly in the US, through 230,000 links, of which 80,000 are by satellite. Alcas, with turnover of Fl 10m (£4m), has a reach of 2m people in the Benelux, Germany and Spain. Thanks to the new venture, it now hopes to generate turnover of Fl 25m by 2000.

From Van der Horst's first meeting in March, it took just five months to sign the joint venture agreement in August. Actual commercial operations are due to start in January.

For Muzak of the US, the venture with an established player in the Benelux promises to provide access to Europe's fragmented market. For Alcas, the partnership offers a chance to find swift growth through satellite technology, an important diversification from its base in the distribution of music by cassettes and compact discs.

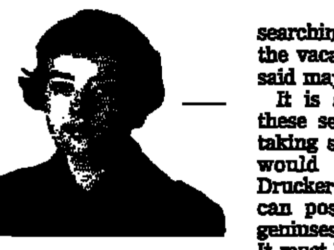
"We can reach from the north of Norway to the north of Africa, including Israel," says Rob van den Berg, managing director of Muzak Europe. The plan is to find distributors in Germany, Britain and Scandinavia in 1996, and then to spread across Europe by finding additional distribution companies in Italy and Spain in 1997.

The music will be programmed by Alcas at its base in the Dutch town of Naarden, and broadcast from the joint venture's office in neighbouring Hilversum. The music will reflect European rather than American roots. "To appeal to people in Europe, you have to have Irish bands, too," Van den Berg says. "You have to be able to include the odd French-language hit."

Ronald van der Krol

The Firm's failure to train Diana

LUCY KELLAWAY



Thanks to Princess Diana's outburst last week, we know that the failure to train people in Britain goes to the top. "No one sat me down with a piece of paper and said: 'This is what is expected of you'," she complained to the world. "You had to either sink or swim. And you had to learn that very fast."

Never mind the bulimia, the self-mutilation, the affair with James Hewitt or the undermining of Prince Charles; the real lesson from Dianarama is a management one. Buckingham Palace has fallen down on its obligation as an employer to provide adequate training.

Every other organisation in Britain is belatedly recognising that its top people are in urgent need of training. It is possible that the House of Windsor might not be in its present fix if had seen this too. Things might have turned out differently if it had sent the young Lady Diana and that other unfortunate recruit, Sarah Ferguson, to a country retreat to learn about the responsibilities of the job and do a few role play exercises. It should have provided them with coaches and mentors, and conducted workshops on goal setting, teamwork and seeing things from the other person's point of view.

But as every management consultant knows, none of this would have stood a chance of success unless the rest of the organisation had "bought into" the process. In other words, the palace would have had to "own" the training programme. That is where the theory starts looking implausible: Buckingham Palace is simply not a Learning Organisation. Instead, it is a managerial disaster – murky on its vision, mission and values; dire on empowerment. In short, it is the sort of organisation that allows one faction to refer publicly to the other as "the enemy".

The management consultancy industry has already given the once over to such unlikely organisations as the National Health Service, the BBC and the Treasury. So here is a perfect opportunity for McKinsey and its rivals. Or perhaps that well-known management motivator Will Carling could be called upon. On second thoughts . . .

Just a week before Lord Young and James Ross were ousted at Cable and Wireless, a pompous volume was published called *Maximum Leadership: The World's Top Business Leaders Discuss How They Add Value To Their Companies**. Among those top business leaders is Ross, who in the book holds forth at some length about what a terrific job he is doing at C&W.

With the benefit of hindsight the passage betrays how bad relations must have been between him and Lord Young. Ross talks of the lamentable state that the company was in when he became chief exec in 1991, neglecting to mention that Lord Young was already well established as chairman at that time. His subsequent discussion of strategy is all Me, Me, Me: Lord Young does not get a single mention.

Anyway, both men will now collect their handsome payoffs and wait to be offered new high-profile, well-paid jobs. Meanwhile, the acting chairman of C&W is desperately searching for two new people to fill the vacancies, a task which he has said may take up to a year.

It is a puzzle why so many of these senior management jobs are taking so long to fill. Headhunters would do well to heed Peter Drucker, who said: "No institution can possibly survive if it needs geniuses or supermen to manage it. It must be organised in such a way as to be able to get along under a leadership of average human beings." Indeed, as C&W has discovered, the more supermen and geniuses a company has at the top, the worse for it.

**By Charles Farkas, Philippe de Backer and Allen Sheppard. Orion. £20.*

It is not just the western world that is on a customer service drive. The same sort of thing is going on in China, where the government is trying to persuade all workers to be more responsive to clients. But in true Chinese style, it is doing this by fiat: according to the People's Daily, it has outlawed 14 phrases that are deemed offensive to the customer. These include: "Hey, old man!", "Hey peasant!", "What are you shouting about, can't you see I'm eating?", "I'm off duty, wait for the next shift," and "Hurry up and pay." It will be interesting to see if the heavy-handed approach works. Western companies have been trying to stamp out surliness using a softer touch, but are not there yet.

Above each fire extinguisher in our office a plastic plaque has been erected depicting a fire extinguisher next to some flames. It occurs to me that there are other objects in the office that could do with similar clarification. A picture of a coat could advantageously be attached to hangers, or a picture of a bottom to chairs. Offices are confusing places, and *anything* that makes our lives a bit clearer is welcome.

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BUSINESS EDUCATION

NEWS FROM CAMPUS

Oriental alliance in management training

Two business schools in Hong Kong and Britain have teamed up to help companies to expand operations in south-east Asia. The Poon Kam Kai Institute of Management (PKKI), part of the University of Hong Kong, and the Ashridge Management College intend to offer management training tailored to the region.

PKKI: Hong Kong, 2523 8630. Ashridge: UK, (0)1442 841000.

● The first business development conference for 20 years will take place in Ho Chi Minh City in December. The conference is sponsored by the DePaul University in Chicago together with the Australian Swinburne University and the Vietnam Chamber of Commerce.

DePaul: US, 312 362 8591.

Counting the pennies to save the pounds

Many senior managers are often too embarrassed to admit that they lack the basics of financial management. For those who live in fear of a balance sheet, RH International, of Cambridge, has developed a two-day training course to demystify accounting jargon for top management.

The course, called PCP, has already been used widely in Australia and by many of Britain's blue chip companies. A similar course has been developed for lower-level managers.

RHI: UK, (0)1223 833537.

New management skills for old

Anyone who took their MBA more than three years ago can now update their skills with a three-day refresher course at Lancaster University Management School. The first course will be in January.

Lancaster: UK, (0)524 65201.

Manchester promise for eastern students

In a bid to improve its contacts with businesses and students in India, Manchester Business School has set up the India Research and Development Unit. The unit will encourage more students from India to study in Manchester as well as encouraging collaboration with Indian businesses.

MBS: UK, (0)161 275 6333

Arnold Redhead visits an unorthodox school which offers to revitalise weary executives

A breath of Tokyo air

With only a graceful flourish of his arm and a slow puff of breath, Kozo Nishino sends a student cannoning backwards into the padded walls of his exercise hall. He grins as the student screams and cartwheels across the floor, coming to rest in the arms of a burly assistant.

Dozens more line up for their turn to experience the Nishino Breathing Method, a combination of breathing exercises and "ki", the essential life force which, oriental medicine says, all humans possess and which forms the basis of many martial arts.

Not unusual, perhaps, in a land where many of those arts were born and where the relentless pace and rigid conformity of life has bred whole industries dedicated to stress relief and self-improvement.

Executives from some of Japan's top companies are among those nightly hitting the walls at the Nishino Juku (school), a modern, six-storey, glass-fronted edifice on the fringe of Tokyo's bustling Shibuya shopping district.

Among them are directors of Oki Electric, NEC, Casio and Sega Enterprises who say the Nishino method boosts energy levels, helps them focus clearly on business problems and increases their enthusiasm.

Nishino, a 69-year-old former ballet dancer, TV producer and martial arts master who holds a degree in medicine, is a minor celebrity in Japan. He is revered by his students and his young instructors line up outside the school every night to watch "sensei" (the master) get into his car to be driven home.

Bright, alert and with a talent for theatre left over from his ballet days, Nishino does not look like a crank. The idea, he says, is to allow people to separate their natural energy from the thought process so they can allow energy, or "physical intelligence", to escape from the confines imposed on it by the brain.

"People act on what their brains tell them," Nishino says. "That's not natural. The body's energy is natural."

Nishino says his methods can improve everything from a heart condition to a golf game. He has some powerful supporters, especially among businessmen.

"The Nishino method makes me feel healthy. When I'm healthy I'm much more positive towards my work," says Yuichi Haneta, NEC senior managing director. Nishino's teachings do not solve business problems but create a healthy body and enthusiastic attitude that get the job done, he says.

Nishino says his method is ideal for executives approaching the peak of their management power around the age of 50. This is a cruel time, he says, because the body loses power just as the mind comes into its own. He offers to renew the body's energy, boosting productivity, problem-solving ability, concentration and hence profits.

The first thing that strikes a visitor to the school are the screams and thumps emanating from various parts of the building. In the exercise rooms, reminiscent of ballet studios, those accustomed to serious, unsmiling Japanese salarymen get a shock to see them reduced to screams and laughter or even dancing after a touch from Nishino.

Not everyone reacts uncontrollably. Some simply float gracefully backwards, bow in thanks and walk back to the end of the queue. One middle-aged woman pirouettes gracefully, laughing as she spins. Nishino says the reactions vary because of the different ways each person's physical intelligence manifests itself.

Around 10,000 students pay between £90 and £250 a month for the lessons, depending on the frequency. The cheapest course is about the same price as membership in one of Tokyo's many private gyms.

Nishino developed the breathing method while studying aikido, a form of judo used for self-defence. He summoned up a force, "ki", that allowed him to beat a much stronger opponent by drawing it up through his body as if, as he puts it, he was "breathing through the soles of his feet".

He likens the process to a tree sucking water up from the earth. Following the Nishino breathing exercises allows the energy to reach the whole body while exhaling pushes it out. The direction the ki leaves the body can be controlled with practice, which is how Nishino "communicates" his ki to students. Many say the feeling is like running into a wall of air.

There is a strong temptation to place Nishino in the long line of sharp practitioners of the art of preying on emotional needs. But no one leaves the Juku hysterical after a session, and the large proportion of professionals who practise the method, including doctors, architects, company executives and even a high-court judge, would be evidence against such a charge.

Nishino himself derives an almost boyish pleasure from what he does. "I wonder what some of these peoples' wives would think if they could see them here," he says.

CONFERENCES & EXHIBITIONS

NOVEMBER 29 - DECEMBER 1
FT Venture Forum Europe '95
Recognised experts from Europe and North America will take part in this annual European venture capital conference - the fifth in a well received series arranged jointly by FT Conferences and Venture Economics. Panel sessions will look at a number of issues including new trends in venture capital in Europe, the climate for fund raising and development in buyout financing and the new EASDAQ market.
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171 873 3975/3969
LONDON

DECEMBER 5
FT St Petersburg Municipal Bond Programme
This half day seminar, hosted by the Government of St Petersburg will examine the risk and rewards for investors in the St Petersburg municipal bond programme, as the market is about to be opened to foreign investors. Mr Anatoly Sobchak, the Mayor of St Petersburg will open the conference.
Enquiries: FT Conferences
Fax: 0171 814 9770
Fax: 0171 873 3975/3969
LONDON

DECEMBER 5-6
Pay, Reward and Performance Management: New compensation and motivation strategies for the flatter organisation
Delayering, downsizing and re-engineering have led to flatter, team-based organisations. Pay and appraisal systems must change to reflect this new reality, it presents practical strategies for designing and implementing these systems to meet current business objectives.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

DECEMBER 6
Planning for Uncertainty
Despite three years of economic recovery we are entering a period of uncertainty. Will the UK economy slow or are we poised for a consumer boom? Can Labour finally win and what difference would it make? These questions and more will be tackled at our forthcoming conference.
Cost: £375 + VAT
Contact: Anna Harman at
The Henley Centre Tel: 0171 353 9961
HENLEY CENTRE CONFERENCE

DECEMBER 8-10
Master the Leading Edge!
For the first time ever, Robert Dilts, leading pioneer in NLP modelling, presents his powerful and unique 3 day experimental training programme. Five years of research sponsored by international companies including FIAT and Disney. A 150 page fully engineered manual with previously unpublished research. Cost £300 + VAT. Discounts for groups from one organisation.
Contact: Pace Personal Development and Business Training
Tel: 0171 794 0960 Fax: 0171 794 7366
LONDON

DECEMBER 11 & 12
The Outlook for Natural Gas
Gas is widely viewed as the fuel of the decade with production and use growing strongly worldwide. With the advantages of being seen as an environmentally friendly fuel and reserves that are set to out-strip oil, will the gas business fulfil its widely held promise or are expectations being set too high?
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171 873 3975/3969
LONDON

DECEMBER 11-15
Options/Advanced Option Techniques
A two-day basic course and three-day advanced programme (available for booking separately if required) examining the mathematical and practical concepts of pricing, trading and hedging strategies using interest rate and currency options. Case studies. Practical Exercises. Limited delegate numbers.
Contact: IBRI Financial Training
Tel. 44 171 637 4383 Fax: 44 171 636 2330
LONDON

DECEMBER 12/13
Introduction to Foreign Exchange and Money Markets
Highly participative training course covering traditional FX and money markets featuring WINDEAL a realistic PC based dealing simulation. For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel
£520.00 + VAT
Contact: Lywood David International Ltd
Tel. UK 44 (0) 1959 565820
Fax UK 44 (0) 1959 565821
LONDON

DECEMBER 14 - 15
Managing Major Client Relationships
Aimed at professionals who manage key accounts and are interested in building stronger relationships through strategic business planning and relationship building skills. • Overview of the sales cycle • Developing a strategic account plan • Confrontation and negotiation skills • Executive presentations • Differentiating yourself from the competition.
Contact: Hilary Jackson - BPP Bank Training
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

JANUARY 4
Managing Your Time
There are never enough hours in the day. How to manage time effectively and prioritise your work load.
● Analysing your Responsibilities and Setting Objectives, Action Planning, Time Management Techniques ● Effective use of the Telephone and Technology ● Running Teams, Delegation, Controlling Meetings, Dealing with Interruptions, Managing Yourself and Others
1 day £220
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 10-12
Understanding the Mathematics of Financial Instruments and Markets
This hands-on training course will enable you to unlock the complexities of market maths and dramatically increase your understanding when performing calculations. The course covers all the major markets and the instruments used in them, including, derivatives, bonds and yield curves, futures and forwards, swaps, options, risk management and many more essential topics.
For more information contact
Jeff Hearn at IFF:
Tel: 0171 344 3833 Fax: 0171 344 0083
LONDON

JANUARY 15-17
Basic Treasury Management
Increase knowledge of treasury products, improving sales, profits and customer relationships.
● Instruments available to Manage Risk ● Corporate Hedging Techniques ● Transaction, Translation, Strategic Exposure ● Financial Instruments for Contingent Risk ● Using Annual Report Information to Target Risks and Opportunities ● Cross Selling.
3 days £795
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 15-17
Interactive Real-Time Trading Forum
This unique event will take your trading potential to new heights, master the complexities of futures and options trading strategies and put your knowledge to the test via our live link to the markets. You will learn, advanced trading strategies that really do work in practice, proven practical applications for volatility pricing, hedging, risk management and trading. Live computer simulations will enable you to make the jump from theory to practice with incredible results. For more information contact Jeff Hearn at IFF:
Tel: 0171 344 3833 Fax: 0171 344 0083
LONDON

JANUARY 18 & 19
Introduction to Swaps
The 'Swap' now permeates many financial transactions. Understanding the mechanism of this instrument is essential to all corporate bankers, treasurers and financial advisers such as lawyers and accountants. This course will also be relevant to back office staff, bank auditors and IT system analysts, as well as trainee dealers. • History and Development of the Swap Market • Mechanics of the Basic Swap • Interest Rate and Currency Swaps. Swap Maths. 2 Days £595.
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 18 & 19
Team Leadership Skills
Interactive Leadership Skills Training, using case studies and role plays. - What is it like to Lead - Making the Transition - Groups and Teams - How they Work and Why They D'ont • Listening, Communication, Feedback • Delegation and Motivation • Discipline and Confrontation • Prioritizing, Problem Solving, Handling Change. 2 Days £440
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

JANUARY 23-24
Technology Assisted Human Resources
This two-day conference will show how leading organisations are effectively using technology as the new corporate "gatekeeper" and why this has enabled them to concentrate more on meeting the needs of the organisation, providing leadership, developing staff and contributing to the overall business strategy. Speaker include: ICL; Nortel; Resumix; Reed Personnel Service, Institute of Employment Studies. Watch out for the live Video-Conference Demo!
Contact: Rachel Marks, IQPC
Tel: 0500 821057 Fax 0181 332 1191
LONDON

JANUARY 22-24
Capital Markets Explained
Specially designed for those with limited or no understanding of the markets and instruments. This course will provide you with an excellent guide to all aspects of the capital markets in both theory and practice, in just three days you will learn: how the markets are structured, the dangers and risks of the different markets, how to trade derivative instruments, essential risk management considerations. Places on this event are strictly limited, for more details contact Jeff Hearn at IFF:
Tel: 0171 344 3833 Fax: 0171 344 0083
LONDON

JANUARY 24 & 25
Bills of Lading The Basics Plus One Day Workshop
Combating Fraud in Maritime Documents - Thursday 25 January 1996
These events will enable you to keep on top of international developments and successfully manage the day to day contractual problems which can arise when transporting cargo around the world.
Contact Linda Mckay, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

JANUARY 25-26
Introduction to Debt and Corporate Work-Outs
This course is especially relevant to those wishing to gain an insight into the techniques and procedures employed in specialised recovery work.
• Defining Work-Outs • The Alternatives • Debtor Rights and Protections • Creditor Rights and Protections • The Work-Out Industry • Work-Out Practices in Different Markets. 2 days £595
Contact: Fairplace
Tel: 0171 329 0595 Fax: 0171 329 3853
LONDON

FEBRUARY 7
Regulation 1996
One day conference. This conference is the financial services regulation event of the year for IMRO and PIA members. The regulators themselves provide the essential information you need to understand the latest compliance issues affecting your day-to-day business. After a lunchtime address by Sir Thomas Arnold MP there will be parallel sessions for PIA and IMRO members covering current developments and future trends. CPD: 5.5 hours.
Contact: Vicki Goffin, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

FEBRUARY 12-14
The European Insurance Industry
Designed to evaluate the ability of different types of insurer to meet both their chain liabilities and other financial obligations. Targeted at experienced analysts who need to understand the more specialised aspects of the insurance industry.
• Understanding of premium revenues • Re-insurance and retrocessions • Investment activity & performance measurement • Solvency liquidity analysis • Strategic development and expansion.
Contact Ross Tanner, BPP Bank Training
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 16
New Markets for Smaller Company Shares
One day conference. This conference is an essential guide to the Alternative Investment market. EASDAQ, Electronic Stock Interchange and OFEX for companies, investors and advisors. There will be up-to-date advice from regulators, corporate finance advisors, venture capitalists and from representatives of smaller companies who have already been there. CPD: 6.5 hours: ICAEW: 17points
Contact: Vicki Goffin, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

FEBRUARY 19
FT London Motor Conference
This twelfth FT Conference will consider how the European motor industry is preparing for the 21st century. Developments in multi-franchising, opportunities in the European aftermarket and the impact on the sector of innovation in IT will be among the topics to be discussed.
Enquiries: FT Conferences
Tel: 0171 814 9770 Fax: 0171 873 3975/3969
LONDON

FEBRUARY 19 - 22
Global Information Access
A multi-event series covering the convergence of communications, computing and multimedia technologies, highlighting the increasing importance of global information access in everyday business practice. Expert speakers present leading edge developments and new; and users discuss their experience of applying these technologies to competitive advantage.
Contact UNICOM Seminars
Tel: 01895 256 484, Fax: 01895 813 095
LONDON

FEBRUARY 22
The Law of the Internet
Commerce on the Internet: can you afford to ignore the risks, threats and legal implications? This seminar by UNICOM is co-organised by specialist IT law firm Bird & Bird, and chaired by Chris Reed of the QMW IT Law unit. It features expert presentations, and a debate between the ITC and OFTEL on regulating the Internet.
Contact UNICOM Seminars
Tel: 01895 256 484, Fax: 01895 813 095
LONDON

FEBRUARY 22 & 23
Ro-Ro Ferries - Is there a future
Is it possible to operate ro-ro passenger ferries competively in the waters of developed nations and in the face of increasing regulation, public disquiet and competition from bridges, tunnels and fast ferries?
Contact: Linda Mckay, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

FEBRUARY 26
Regulation & Accountability for New Media Advertising
How will regulation & accountability for new media advertising affect your business? Who will regulate? What are the legal ramifications of using unsuitable material on the Internet and how can advertisers fully understand the legal parameters? Presentations and debates from On-line advertisers, advertising agency representatives, media regulators and on-line service providers.
Contact Marketing Week conferences
Tel:L 0171 434 3711 Fax: 0171 287 8706
LONDON

MARCH 4 & 5
P & I - Is There a Future for Mutuality?
Top level decision makers will form a panel of experts to address the debate over liability and catastrophe limits and how this could alter the relationship between traditional P&I clubs, their managers and their members.
Contact: Linda Mckay, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

APRIL 9-10
Advanced Corporate Finance Regulation
Addresses those areas of regulation that are encountered in corporate finance work.
- Financial Services Act
- Company law
- Yellow Book/Listing rules
- Blue book/City code

Contact: Ross Tanner - BPP Bank Training
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

INTERNATIONAL

DECEMBER 8
Incentives and Prospects for Investments in the New Poland
Now in its fourth year of significant growth, the Polish economy is surging ahead of many other Eastern and Central European countries. The Governor of Poland's Central Bank and a distinguished panel will examine the foundations, performance and outlook of the Polish economy, as well as the risks and opportunities awaiting foreign investors.
Contact: ADAM SMITH SEMINARS
Tel: (33-1) 43.06.79.42
Fax: (33-1) 45.67.88.37
PARIS

FEBRUARY 4 & 5
FT Commercial Aviation in the Asia Pacific Region
Themes for this years conference will include: The potential and problems of new airline development in Asia; the future of air traffic rights in Asia; the development of national aircraft manufacturing industries in the region; and opportunities in aviation growth markets - China and India.
Enquiries: FT Conferences
Tel: 0171 814 9770
Fax: 0171873 3975/3969
SINGAPORE

BUSINESS EDUCATION

BUSINESS TRAVEL

French rail strike

A strike by French rail workers entered its third day yesterday, causing serious disruptions to services across the country, especially in the Paris region, the state-owned SNCF rail company said. SNCF employees, who joined a national public-sector strike over the government's plan to reform the welfare system three days ago, were encouraged by four trade unions to continue their stoppage at least until today.

The unions fear that this year's annual state-SNCF contract, expected to be unveiled this week, will enact deep economies. Reports said the contract will prescribe salary limits, job cuts and decommissioning of loss-making rail lines.

The company said that because of the strike it had brought forward round-table talks with unions on the annual contract to yesterday afternoon. SNCF said that an average of one in four main-line trains were running yesterday, though none ran on the busy Paris-Lyon line. Regional services were severely disrupted.

Premium travel 'over'

Sir Freddie Laker, the pioneer of cut-price air travel, says the days of premium-class business travel will soon be over, **Michael Skapinker** writes.

"I can't see how the traveller will continue to accept a system where one passenger is paying over $7,000 [£4,430] to sit in the front cabin, while on the same flight another passenger is paying less than $500 at the rear," he said.

Sir Freddie told a dinner organised by City of London law firm Rowe & Mawe that the Internet and video conferencing would spell the end of long-haul business travel.

He said: "Who is going to pay those sort of prices ... when, for a few hundred dollars invested in a computer and a connection which costs the price of a local phone call, you will be able to have a video conference where you can talk to and see the people you are communicating with?"

But his pessimism clearly has its limits: he is about to re-enter the transatlantic market. His flights from London's Gatwick airport to Orlando and Fort Lauderdale in Florida begin in March.

Tired pilots warning

Two in five UK pilots have admitted to falling asleep at the controls, and plans to increase their hours would be dangerous for crews and passengers, a pilots' union has warned.

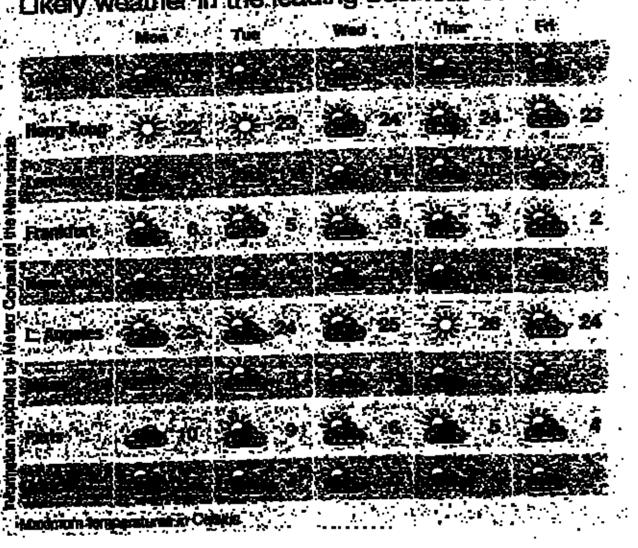
One tired pilot accidentally strayed into a UN no-fly zone over former Yugoslavia where he risked being shot down, according to a survey by the British Airline Pilots Association.

Longer flying times are being suggested by Europe's Joint Aviation Authority. But the union opposes the plans, warning of increased dangers.

Alitalia challenge

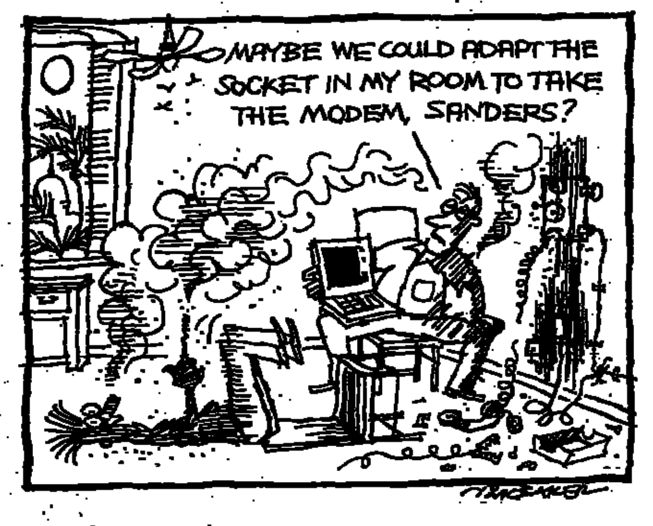
Alitalia, the Italian airline, will launch a challenge to Air France on the French flag-carrier's domestic network from next year, **Andrew Hill in Milan writes.** It will operate two new services between Nantes and Rome, and Toulouse and Milan, via Lyons. Alitalia intends to use Lyons as a "mini-hub". Fares will be similar to those of Air Inter, the French domestic airline.

The flights will be scheduled to allow, for example, passengers from Nantes to pick up the Alitalia flight to Milan, and passengers from Toulouse to transfer to the Rome flight.



It's no good dragging your portable office on a trip unless you can link it up. **Paul Taylor** offers advice for those on the move

In a world of tight connections



Travelling with your mobile office – portable personal computer, fax-modem and telephone – should be child's play. But, as most business travellers know to their cost, getting technology to work in the real world is rarely simple.

Batteries on portable PCs run out at crucial moments; modems can't be connected because telephone plugs are the wrong ones; and a message on the cellular telephone screen says the call cannot be connected even though there is supposed to be a "roaming agreement" between the network operators.

Your problems start with deciding what to pack. Along with the PC itself it is wise to take a spare battery pack if it will be used for more than a few hours away from a mains socket – colour screens, disc drives and modem communications all shorten battery life.

As well as a power lead and mains transformer, a plug adapter is essential. And if your portable is running Microsoft Windows and will be used for any length of time, it may be an idea to take a proper mouse rather than soldier on with the mostly inadequate tracker-ball or other pointing devices that are built into most machines.

For travellers with Microsoft's Windows 95, files on your portable and desktop PC can be "synchronised" before setting off. Even without Windows 95 or one of the many alternative applications programs designed specifically for remote access, it can save a lot of time later if you take copies of desktop files which may be required.

"Safety first" also dictates the need for backup copies of the operating system and any essential software in case something disastrous happens en-route. A corrupted Windows file is relatively easily replaced in New York, but how about New Delhi?

Unless good user support is available at the end of a telephone line, manuals can also help in a tight spot, but add to the weight. Most portables now come with pretty effective help files loaded on to the hard disc.

Do not worry about the portable or floppy discs passing through standard airport security scanners: your data should be safe. But at some airports, security officers will want to see the PC working, so it always helps to have charged the battery before setting off.

The controversy over whether or not portable PCs interfere with aircraft electronic systems has raged since the first "luggables" appeared in the early 1980s. Most airlines now ban the use of portables – and many other electronic devices – during takeoff and landing, or even (in the case of mobile phones) in flight.

The other essential device for data communications such as electronic mail or file transfer while travelling is a fax-modem. In the past, most of these were external devices about the size of a cigarette packet, but the widespread acceptance of the credit-card sized PCMCIA or PC-Card slot standard means that most portable modems are now sold in this more convenient format.

Whatever the type (and speed) of modem, it will be useless without a telephone connection, and that is the biggest challenge. There are about 38 different types of telephone socket in use around the world – including approximately 20 old- and new-style sockets in Europe and Scandinavia.

Companies such as TeleAdapt have emerged to address these problems by offering a wide range of socket adapters, multifunctional kits, tools and other devices. For example, the TeleSwitch is designed to cope with the digital switchboards in many new hotels. Other devices including acoustic couplers are available where telephones are hard-wired to the wall or where a public payphone is the only option. In extreme circumstances a small screwdriver and crocodile clips can come in handy.

TeleAdapt also publishes a pocketbook-sized *Personal Flight Guide* which is updated quarterly and includes helpful and entertaining notes on connecting portables to the public telephone network.

Many first-class hotels now offer business centres, most of which are equipped with modem-friendly telephone sockets, usually of US-style modular design. Others have installed secondary fax or modem slots in bedrooms or desktop telephones with built-in modem sockets.

If you expect to make a lot of long-distance calls from hotels a phonecard from one of the international operators can dramatically reduce hotel bills. For e-mail or Internet access, CompuServe has local telephone access numbers in most parts of the world, and for data file transfer packet-switched services such as British Telecom's GNS service have local nodes around the globe.

A PCMCIA datacard coupled with a digital cellular telephone using the pan-European GSM (global system for mobiles) network standard can provide the ultimate in wireless data communications. However, a local GSM network does not guarantee simple data or voice communication.

First, there must be a "roaming" agreement between the home network operator – for example, Vodafone or Cellnet in the UK – and the overseas network. Second, the subscriber's home network operator must have programmed the network to allow operation overseas – the international call bar must have been lifted.

Finally, in the case of data traffic including faxes, the local GSM network must have been configured to provide this service. For example, the two French GSM networks do not support data. Since cross-border GSM calls tend to be expensive, and the subscriber is charged for the non-domestic portion of incoming calls as well, it is also worth checking what credit limit – if any – has been placed on the account with the service provider.

Overall, despite the substantial advances made in terms of portable computing and telephony over the past decade, successful data communications while travelling is still more of an art than a science.

TeleAdapt, UK tel: 0181 421 4444, US: 408-370 5105.

AN HOUR TO SPARE

Toulouse museum building steals the show

Converted buildings only rarely make entirely satisfactory art galleries. It is fiendishly difficult to retain the integrity of a period interior and at the same time show works of art to their best advantage. At the Musée D'Orsay in Paris and the Courtauld Institute's Somerset House in London, architecture wins over art hands down.

However, serving two masters has posed few problems at the Hôtel D'Assézat in Toulouse. This Renaissance *hôtel particulier*, built in the 1550s for the merchant Pierre Assézat, has been restored to house the paintings and works of art given to the town by Georges Bemberg. Much altered in the 18th century and turned into warehousing and offices in the 19th century, few of its period interiors remained intact.

Inside is a not untypical late-20th century collection: small-scale Venetian *vedute*, including a sparkling Canaletto and bravura Guardi; a Renaissance portrait gallery offering a bumpy ride of French and Italian portraits and bronzes; a "collector's cabinet" of Limoges enamels, maiolica, glass and the like.

The simple upper floors are given over to the French 19th and 20th centuries: a disarmingly simple Fantin-Latour; rooms of fauves and pointillistes; Impressionist landscapes; oil sketches, pastels and an entire gallery devoted to Bonnard, a particular passion of Bemberg.

In an inspired move to effect a break between the two distinct aspects of the collection we are taken out of the building at first-floor level and along an open *coursière* joining the two wings of the house.

From this vantage point we can admire the spectacular courtyard façade and loggia, where Doric, Ionic, Corinthian and Solomoniac stone columns complement the flat, rose-pink *Toulousain* brick.

The art looks well enough here, but it is the museum building that steals the show.

Susan Moore

هكذا من الأصل

هكذا من الاصل

MEDIA FUTURES

Ethics and your phone book

Tim Jackson

Bodies are everywhere. The sea is a junk yard of mangled ship parts. You scramble for a safe place. There's only about 15 of you left. You huddle together and make a plan. And ultimately, perhaps through some random miracle, your group makes it to safety.

Jump to the present. It is 50 years later. The memory is so strong, you can still taste the salt air. But half a century is a long time, and sadly, you've lost touch with many of the guys who also made it home.

Not many people would guess that the paragraphs above are the beginning of a brochure advertising a piece of software. Fewer still would guess that the package in question is a phone book.

But this is not just any old phone book. It is a phone book on CD-Rom, published by Pro CD, a Massachusetts company, which contains 95m listings – the vast majority of all residential and business numbers in the US – all on a handful of silver discs. It has no music, no animation and no video clips, yet it is one of the most useful pieces of software I have come across for years.

Not only can you use a phone book on disc to search nationally rather than locally, thus getting around the irritating problem of not being able to find a number unless you know which town it is in. You can also search by address, by industry classification, and in reverse from phone numbers to names.

The package is clearly a good way to find long-lost pals from military days: Pro CD claims that the story related above is entirely true, and came to it from a satisfied customer who had tracked down many of his fellow survivors by means of the company's product.

Last month, the Philadelphia Daily News used Pro CD to help an elderly woman suffering from Alzheimer's who had been missing for four months.

She was found wandering the streets, unable to say where she lived. Although police and hospitals had been unable to track down the woman's family, the paper found her daughter in 10 minutes using the Pro CD package.

Until 1990, digitised phone books were the subject of legal wrangling. America's phone companies believed that they owned the copyright over the list of their subscribers' numbers.

That argument was shot down by the US Supreme Court, with the result that anyone can now buy America's telephone listings for $160, instead of the thousands or tens of thousands that phone companies wanted to charge.

Although the US Supreme Court's judgment will seem common sense to most people, BT has successfully used the copyright argument to prevent Pro CD from launching a product in the UK. BT's campaign against the Massachusetts company, however, raises an interesting further issue.

It has no music, no animation and no video clips, yet it is one of the most useful pieces of software that I have come across for years

Is it an excessive invasion of privacy to allow users to tap in a number and find out whose it is, or to find out who lives at a given address? Britain's telecommunications establishment believes that those things do represent excessive invasion of privacy. The conventional wisdom is that making personal data cheap and universally accessible will allow people to waste our time for more frivolous reasons.

But there is a counter-argument. Much of the information in a reverse phone book is already available, legally or otherwise, to those who are willing to go to a little inconvenience and expense to get it.

Those whom we would least want to have access to our personal files – the government, big companies, and psychopaths with time on their hands – already have it. The effect of allowing companies like Pro CD to sell their products freely will merely be to give this information to more, but less sinister, people.

In at least one sense, the new products will strike a blow for personal freedom by tilting the balance of power back from the makers of calls to the recipients. Together with caller ID, CD-Rom phone books can allow people to find out not only the number someone has called from, but also the name and address of the subscriber.

Yet there is another reason for wishing these products to become more widely used – and it concerns junk mail. Most people think of unwanted letters from companies as a symptom of the glut of cheap electronic information. In a sense, however, it is a sign of exactly the reverse: the less that companies know about people, the more likely they are to send information on products that do not interest them.

This week threw up two reminders that correctly targeted junk mail, of the kind that packages such as Pro CD's can help to refine, has a bright side. One was an e-mail from an FT reader about a relative of his who lives on a remote island and so wanted to receive mail-order catalogues that he tried to opt into junk mail via the Mail Preference Scheme.

The other, which surfaced in a discussion on an Internet mailing list about the privacy consequences of making vehicle licensing data publicly available, was a story told by a resident of Oregon. Out of the blue, he received a postcard from a car repair shop asking: 'Does your 1987 Dodge Caravan exhibit the well-known smoking problem?'

Astonished that the company had dug him out of the state's car registrations database by car model and year, the owner took up their offer, and along with the Dodge Caravans of dozens of other satisfied customers, his car no longer smokes. Which goes to show that databases on CD-Rom are a good thing.

Tim Jackson can be reached at Tim.Jackson@pobox.com

Brain opera ushers in a new aria

Victoria Griffith previews a ground-breaking interactive musical performance

Picture this: an electronic billboard outside the Lincoln Centre in Manhattan, New York, welcomes Internet users to attend the musical event inside via their computers. Cybersurfers can even influence the course of the performance by typing their feelings and impressions on their keyboards.

Inside, ticket holders also help to shape the music by milling around in a space set up like a nightclub. The more agitated their movements, the faster and rougher the performance becomes. The smoother their gyrations, the more harmonic the sound.

On July 23 next year, this vision will become reality as the Lincoln Centre hosts its first interactive musical performance.

Dubbed "Brain Opera", the project is the long-term dream of Tod Machover, a researcher at the Massachusetts Institute of Technology's Media Lab.

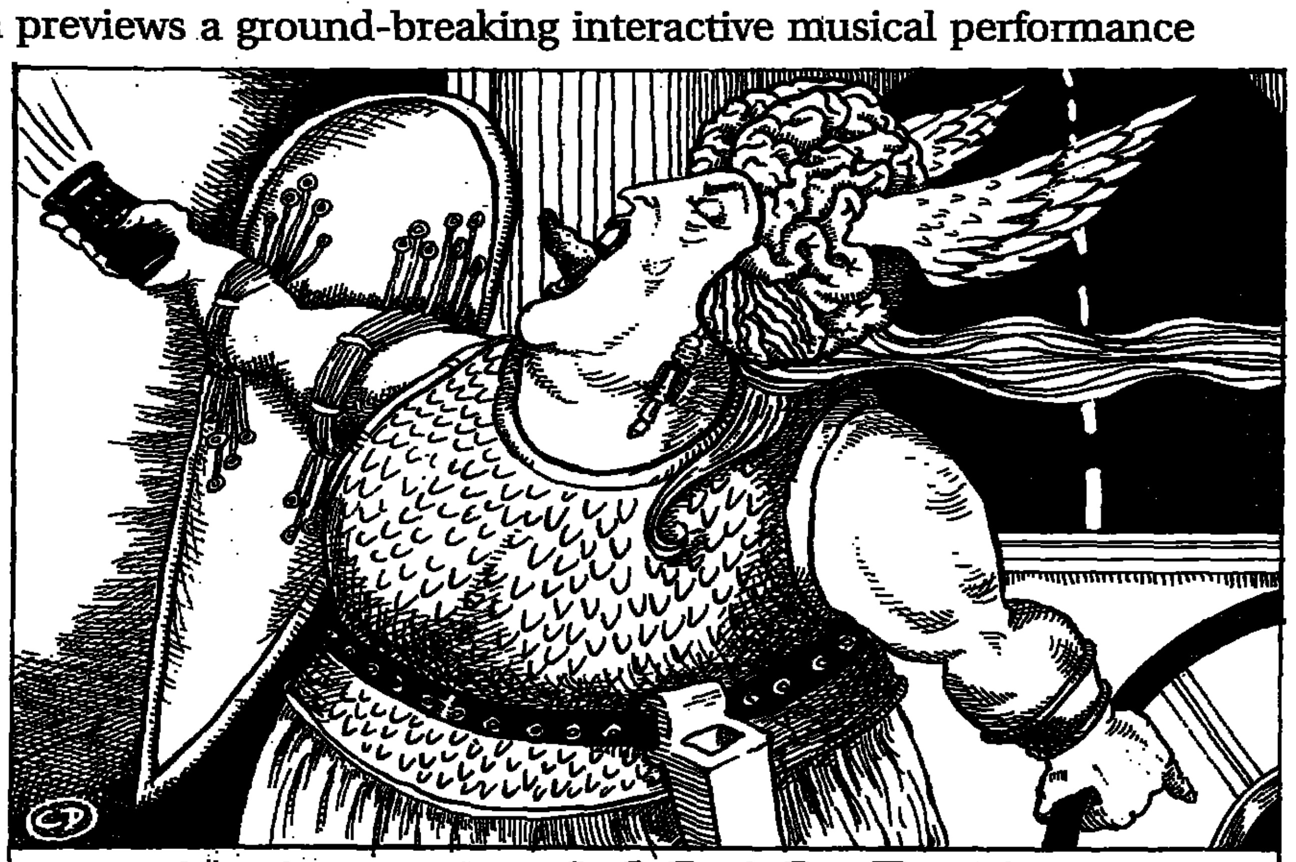
Machover has been preparing for this concert for more than a decade. The youthful, bespectacled computer wizard seems to have the perfect background for orchestrating a true marriage of multimedia and music. His mother was a piano teacher and his father a graphic designer. Machover himself studied cello at the elite Juilliard school in Manhattan before turning to computer work.

Machover's dream is to use technology to turn everyone into a musician. "I was reading this 1965 article by [virtuoso pianist] Glenn Gould," says Machover, "and I came across a part in which Gould says that in the ideal world, people should be able to attune performance recordings of his work to their own preferences.

"'The audience would be the artist and their life would be art', were Gould's words. And it struck me that that is what I'm trying to do: turn audiences into artists."

Machover's first step towards realising his dream was to create hyperinstruments. "The problem with the first computerised music in the form of the synthesizer is that it was even less sensitive to the subtleties of the performing artist than old-fashioned instruments," says Machover. So he set out to create a set of digital instruments.

In 1991, Machover had some success when the internationally acclaimed cello player Yo Yo Ma used Machover's hypercello in a performance.



BRAINHILDE

"We built special equipment into something that looked like a cello to measure his every gesture: what his right wrist was doing, the speed and pressure at which he used the bow, everything," says Machover.

"The piece started out sounding very much like a cello, then got more computerised . . A note would hold on a little too long here, a passage would be repeated there." At the end, Ma was just using the instrument to coordinate all the different elements.

Machover's hyperinstruments have evolved further, becoming increasingly abstract. The Sensor Chair, for instance, translates arm and hand movement into mysterious sound textures or pounding percussion patterns.

These are the tools Machover will use in the Lincoln Centre performance, except that, in the interactive event, the audience will have as much say as the performers about the direction the music takes.

The Lincoln Centre project comprises several parts. In the first, the audience will walk around in a hall to prepare. In another, concert-goers will play a video-like game called Harmonic Driving.

Players will sit in front of a screen with a steering wheel, joystick and foot pedal. Hooked up to earphones, users will "drive" through a piece of music. If they stick to the central road, a generic, bland sound will emerge. If they opt for detours and speed variations, the music will become more interesting.

Another activity will allow the audience to add their personal touchs. A pivotal element will be the recording of participants' voices. Concert-goers will also be encouraged to experiment with different sounds by "playing" hyperinstruments in the hall.

In the concert's second stage, audience members will move into a night club-like room where they can sit at the periphery or dance at the centre. Machover plans to hook the room up with sophisticated sensors to track the audience's movement, which will be built into the composition.

Three hyperperformers, part of Machover's staff at the Media Lab, will orchestrate the concert, incorporating information from the dance hall, the preparation phase, and Internet listeners. "Many parts will be pre-prepared, so it won't be a free-for-all," says Machover. "But the audience's influence means the piece won't ever be exactly the same."

The most challenging aspect, Machover says, will be incorporating Internet users effectively into the performance.

"Computers and the Internet are devised to get people to type in simplified choices like Yes and No. They don't measure emotions very well."

But the MIT researcher says that capturing emotions is vital to the success of the piece. "If audiences are simply offered the choice to vote between faster and slower, or more or less harmony, the concert will become boring," he explains. "It has to be much more sensitive than that, or it's just another video game."

After all, the object is to turn the audience into artists, not video game aficionados. Time will tell if the MIT computer-composer can realise that part of his dream.

A concert incorporating hyperinstruments will be held at Queen Elizabeth Hall, London, next March 7. From March 8-9, hyperinstruments will be on display there. A symposium will be held in the Purcell Room on March 9.

Cyber sightings

By Stephen McGookin

● Zambian Business Pages (*www.zamnet.zm/zamnet/zambus/zambushome.html*) features details of the Zambian Privatisation Agency, which will soon be listing companies in the country which are due to be privatised. A site with great potential, and of interest to more than just foreign investors.

● Bankers Trust Global Research (*www.bankerstrust.com/global/global.html*) has details of the firm's daily US and European financial newsletters. A very good, user-friendly site with solid analysis and a good calendar of upcoming events. Well worth bookmarking.

● A full-text, Italian language edition of La Stampa, the Turin daily newspaper, is available at *www.lastampa.it* along with details of the paper's fax edition. Registration is required, but a nice, user-friendly site.

● *Information on the implications of Britain's data protection legislation as it affects the Internet, including Web publishing, e-mail and security, is available at www.ukindex.co.uk/dataprot.html* A highly valuable read.

● A special supplement to the Belfast Telegraph newspaper to mark this week's historic visit to Northern Ireland by US president Bill Clinton can be accessed from today at *http://nautilus.netcmi.co.uk/beltel/index.htm*

● The Yukon Gallery (*www.yukonweb.wis.net/business/gallery*) has details of artwork marking the centenary of the Yukon gold rush, while the Yukon Web home page is a link to business, arts and government in the region.

● Baseball fans should check out the Baltimore Sun's Information Source (*www.sunstore.com/sunsource*), which is promoting *Cal Touches Home*, a commemorative book marking the Baltimore Orioles' Cal Ripken's achievement in setting a record for consecutive games.

● Charities Direct (*www.hemscott.co.uk/hemscott*), a guide to the UK charities sector, has been set up by Hemmington Scott, publisher of the Henderson Top 2,000 charities. The site also features UK Equities Direct: details from the company's corporate information database.

● The Kokopelli Directory (*www.kokodir.com*) is an online database for US-based buyers and sellers of financial products, investment vehicles, fine art and high-end investment collectibles. An interesting site, but beware the big graphics.

● AuctionWeb (*www.auctionweb.com/ami*) is the information centre of the US Auction Marketing Institute, with a national directory of approved auctioneers and details of professional programmes.

● For anyone interested in working in the US environmental sector, ECO – the Environmental Careers Organisation – is tremendously useful. The site (*www.eco.org*) has details of career-search and job-placement opportunities, as well as literature.

● Cyberspy, an Internet Café at 15 Golden Square in central London, is offering free Internet access to Treasury and Budget-related Web sites tomorrow to readers who take along their copy of the FT.

Financial Times on the World Wide Web
www.ft.com
or
www.usa.ft.com
Updated daily

Madonna joins Mozart on the Web

By Louise Kehoe

Increasingly, music is striking a chord on the Internet. Whether you are looking for the Beatles, Mozart or the top-selling Alan Jackson country album, you can now sample and buy CDs or tapes from music stores on the World Wide Web.

World Wide Music, the newest and biggest record store on the Internet, opened its virtual doors only recently. The online music shop (*http://www.worldwidemusic.com/*) is the creation of the Intouch Group, a San Francisco multimedia company.

Visitors can listen to 30-second snippets from up to 200,000 recordings and order CDs or tapes for delivery by mail.

Recorded music may become the first category of consumer products to generate big sales revenues on the Internet, market researchers predict, because the demographics of Internet users – young, male and affluent – closely match those of the purchasers of music CDs.

Until recently, Internet music stores have been essentially only lists of titles. But World Wide Music, as well as offering music samples, will display album covers and suggest recordings that might interest customers based on their history of purchases and the ratings they give music samples they have listened to.

If you enjoy *Alan Jackson's Greatest Hits*, for example, WWM may suggest that you listen to the latest recordings of other country music stars.

WWM is not alone in its efforts to make music on the Internet. 1-800 Music Now, another Internet music store, recently hosted the first "triple-cast" country music concert on TV, radio and the Internet (*http://www. 1800musicnow.ci.com*) to promote its online site where more than 20,000 music samples can be heard.

For devoted Beatles fans, *http://www.primenet.com/dhaber/beatles.html* is the place to go for samples of previously unreleased recordings and much more.

Madonna (*http://www.wbr.com/Madonna*) has also opened a new site this month for the release of her album *Something to Remember*.

Using Real Audio technology, the site will be one of the first where fans can automatically hear music on demand without a lengthy downloading process.

Food and drink index tastes the market

By Stephen McGookin

Food and Drink Index (*www.foodanddrinkindex.com*) is an ambitious Internet database service for the UK's food production and retail sectors. Launched last week, it will be rolled out progressively over the next three months.

The idea is to provide information, updated daily, on market conditions for fresh produce and bulk products such as drinks, and to put sellers in touch with buyers across the industry.

Mondial, the company behind the index, says that eventually every company involved in the food and drinks industry will have their own page at the index's site, which they can update themselves. A 30-strong data collection unit and a news-gathering team will also update the site with daily news and industry events. While the calendar of daily events will be useful, it would be helpful if phone numbers allowed browsers to contact event organisers.

Tim Carron Brown, chief executive of *Mondial*, says that once the system is up and running "the benefits will become apparent very quickly, as well as the risks of not being involved".

Subscription costs 95p per day per service: Food Trader, Wine Trader, Drinks Trader and their daily updates. Included in the sign-up package is a free 28-day Internet access through Pipex. It is also planned that for an additional charge, users will be able to access an Infocheck credit statement on businesses with which they plan to trade. A range of free services will be available at the Web site for the public, including price comparisons and reviews of imported wines. Also planned is the Trading Floor – a virtual trading exchange for fresh produce.

Everyone in a price sensitive industry wants access to their competitors' trading information, but may not be prepared to give up much of their own. But Mondial is optimistic that development of the index will encourage openness between suppliers and purchasers.

ARCHITECTURE / SPORT

Twelve schemes display the flower of Muslim design

Colin Amery outlines the benefits of the Aga Khan Award for Architecture

To take an international view of architecture today is a brave and difficult thing to accomplish. In these politically correct times, it is not easy to achieve critical correctness. There are too many possibilities for slipping into the crevices of the architectural debate. How important is tradition? How relevant is innovation to countries in the developing world which look to architects to provide basic shelter and services?

The Aga Khan Award for Architecture is the most important international award which surveys the state of the art of architecture. Wisely, it limits itself to the Muslim world. That does not mean that this limitation excludes any area of the architectural debate, because both the Muslim world and the development of architecture are taking place in the same late 20th century global village.

The Aga Khan and his advisers saw back in the early 1980s that the oil boom and the spread of western post-war commercial culture constituted both an opportunity and a threat to the social and architectural cohesion of traditional Muslim life.

The Aga Khan award goes back to 1977 and is run in three-year cycles with fine award ceremonies held in different parts of the Muslim world. Last week the 12 1995 award winners were presented with their prizes and seminars were held in Indonesia at the Sultan's palace in Solo, central Java. Sadly, your correspondent couldn't make the long journey for such a short visit, but I did attend the detailed explanation of the 12 winning schemes held in London at the Architectural Association.

In the past, however, I have attended these elaborate and often inspiring ceremonies, which are deliberately held in places of great historical and architectural significance around the world. Much of the importance of the awards comes from the mixture of architectural and political discussion that takes place under the guidance of a jury that is representative of east and west, Muslim and non-Muslim.

Many of the winners this year represent the active conservation of the Muslim heritage that the Aga Khan wishes to encourage in the interests of cultural continuity. There were 442 entries for this year's award, and the 12 winners were divided by the jury into three categories: projects that address a critical social discourse – these tend to be conservation schemes; projects that address a more critical architectural/urbanistic discourse; and projects that introduce innovative concepts "worthy of attention".

The incredible tall houses and densely decorated buildings of the old city of Sana'a in the Yemen win one of the awards for conservation, and that represents a remarkable triumph. In the 1970s only an international effort could reverse the desertion of the city and the progressive collapse of the mud walls and buildings.

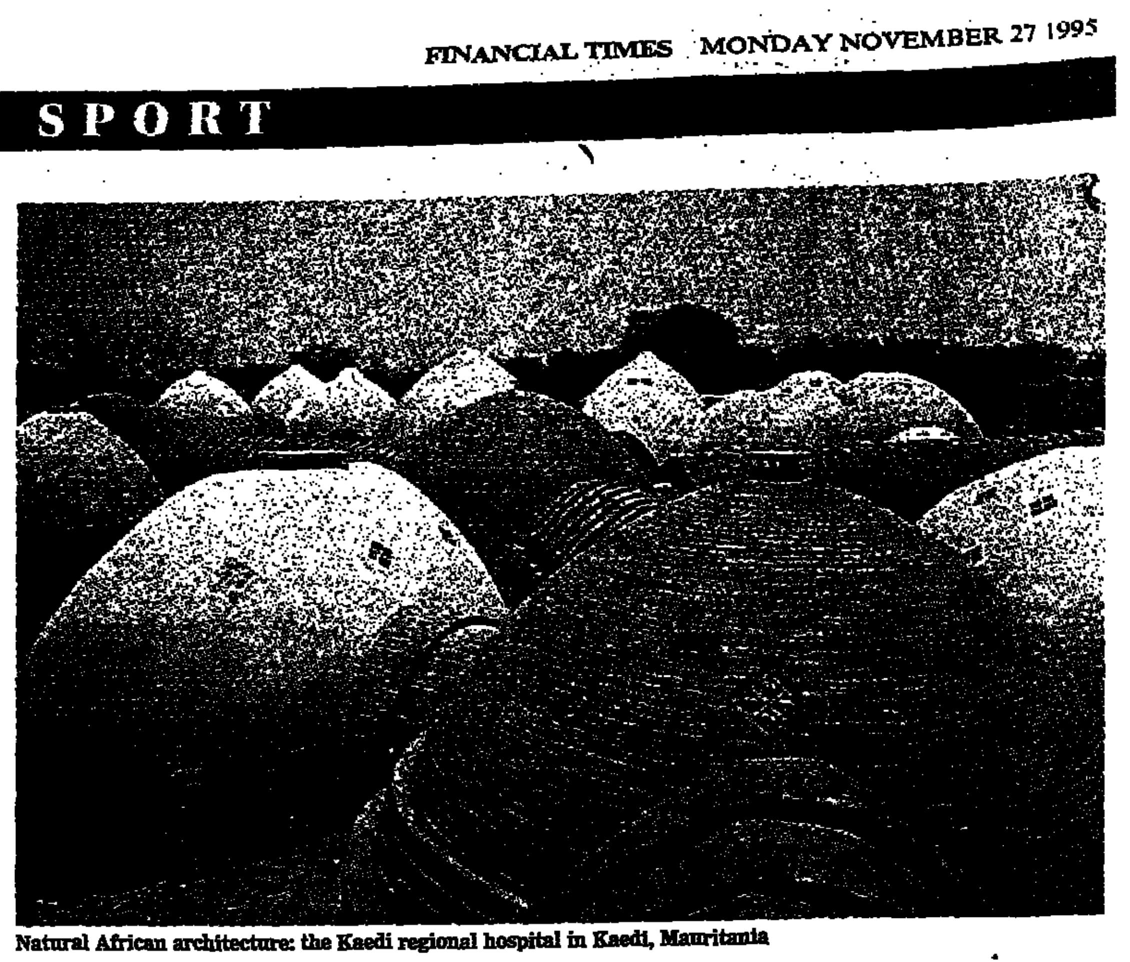
Yet public and private money has made Sana'a live again in a way that once looked impossible. Almost until the end of the civil war in 1969, the whole city had been closed to foreigners for more than 200 years and the minarets, gardens and highly decorated buildings were virtually unknown. The high buildings are the oldest tower blocks in the world, built to catch the breeze and scan the desert.

In Tunis, the award recognises the completion of the rescue of the old medina in the eastern part of the city. Known as the Haifsa quarter, it is a traditional area of courtyard housing with white stucco walls and tile decoration. With the help of the World Bank and a national savings fund for housing, the area has been completely restored and is now 80 per cent in private ownership. It nearly disappeared in the 1960s, and has been saved as much by the revitalisation of the economic base of the area as by conservationists.

Two other cities, Hyderabad in Pakistan and Indore in India, win awards for housing for the poor, both schemes demonstrating that co-operation and the gradual spread of ownership, even at the most modest level, may slowly solve the housing problems of the poorest areas of the developing world.

Architecture only touches the edges of these schemes – services and shelter rightly come first. More artistically inspirational is the award to the old city of Bukhara in Uzbekistan, where the amazing Islamic patterned tile work looks like oriental carpets spread over acres of fine buildings.

When it comes to new architecture, the jury clearly found it difficult to identify a standard set of criteria. The great mosque of Riyadh in Saudi Arabia and the mosque of the grand national assembly in Ankara, Turkey – and indeed the landscaping of the Soekarno-Hatta international airport in Cengkareng, Indonesia – seem to be in the list as much for politico-economic reasons as for their very mixed architectural qualities.



Natural African architecture: the Kaedi regional hospital in Kaedi, Mauritania

The environmentally "green" tower for the tropical climate in Kuala Lumpur, Malaysia, has an experimental look as it lifts gardens into the air on a concrete spiral.

The most interesting of the new buildings is the remarkable Kaedi regional hospital in Mauritania, designed by Fabrizio Carola and his firm, which is an association dedicated to the finding of a "natural African architecture".

This is a building I long to see with its mass of brick domes and vaults and its plan in the shape of an opening flower. The project is sponsored by the European Development Fund and in every way it appears a model for what a new hospital should be, and not only in Africa. It emphasises the general principles of this award – that new buildings should be part of the existing culture, yet offer innovative solutions to contemporary problems.

There are a lot of architectural awards, but this one is supported by on-site research and by the Aga Khan courses at Harvard University. It is a model of princely involvement in architecture that shows a deep concern for spiritual and community values, as well as for architectural continuity.

Sinbad's descendants leave yachts in their wake

SPORT

KEITH WHEATLEY

Racing dhows make an extraordinary sight against the high-rise towers of downtown Dubai City, the triangular lateen sails managing to combine sharp angles with soft, billowing curves.

Whereas modern racing yachts favour the muddy brown of Kevlar sails, the dhows' are as pristinely white as the *dishdashas* of their crews. The hulls are varnished wood, with a shallow dish-shape beneath the water to help them plane across the milky blue chop of the Gulf.

The designs have scarcely changed in 1,000 years, and exist solely in the heads of the master shipwrights who build them from Indian teak. Ironically, the hulls of western high-performance yachts are coming increasingly to resemble these dhows in shape.

Saeed Hareb is going to start the race at 2.30pm sharp. Unlike the Solent or Newport, where pre-start manoeuvring and jostling for position is of supreme importance, these boats sit quietly in the water, sails dropped, waiting for Hareb to launch the smoke flare that substitutes for a start gun.

As yellow smoke fills the sky, the 10-man crews frantically hoist the 65ft yard carrying the sail to the masthead. No winches are allowed, just blocks, tackles and muscle-power.

Once the canvas fills and the dhows pick up speed towards the line, the crews begin the subtle and continuous task of balancing the boats. Built without a keel or fixed ballast, these large craft are as frisky and tippy as the most extreme racing dinghy.

A western yacht of 43ft would have perhaps 1,200kg of lead or cast iron in her keel, whereas the descendants of Sinbad manage with bags of sand, loaded from the desert earlier that day. As wind and waves interact, the crews shift the sandbags – each weighing as much as a sack of cement – to keep the dhows upright and in optimum fore-and-aft trim.

If the breeze drops, then the skipper may call for sand to be dumped overboard to lighten the ship and squeeze a little more speed out of her. It is a gamble, of course, that a squall won't come and find them out of control and on the verge of capsizing.

Helmsman and crew concentrate ferociously. Dubai's ruling Maktoum family has provided a prize fund of £140,000 for this afternoon's race, with £30,000 of that to the winner. Even as sailing becomes a professional sport, few yacht races anywhere in the world can provide such rewards.

Some of the skippers are young "owner-drivers" who have invested the £40,000 or so necessary to build a state-of-the-art dhow. They can win back the entire cost, and more, in one six-race season.

But others come from the Gulf's leading and wealthiest families. There are names like Al-Maktoum, Al-Tayer and Zayed on the entry list. Although there are no blazers, this regatta musters as much establishment social clout as anything staged by the Royal Yacht Squadron.

"When our grandfathers used the dhows for fishing and pearling, always there was a little competition to have the fastest boat and to be back in port first," says Saeed Hareb, director of the Dubai International Marine Club and the man responsible for reviving the almost-lost sport of dhow racing.

"When the oil comes people begin to leave the life of the sea. The ruler was very keen that the dhows be kept alive, so we started the racing."

For the first race in 1986, 19 boats entered, most of them semi-antiques. Last week saw 76 craft on the start-line, many of them less than a year old. The biggest race of the season, in Abu Dhabi, will have 150 dhows competing.

Since the dhows can neither tack nor gybe (at least not without dropping the sail, a 10-minute operation) the course is a straight line of 19 miles with the wind on the starboard beam.

Except that, as any sailor knows, no boat ever sails in a straight line.

"The wind was very shifty. We had to go out to the sea first and then come in fast when the wind came behind us," explained winner Musabah Rashis Fattan, owner of *Mughassas*. The dhow has won its last two races and the skipper is the son of a legendary Gulf helmsman.

For those western yachtsmen accustomed to hanging around for hours in the clubhouse waiting for protest meetings or prize-givings, the ceremonies in Dubai were a lightning-swift contrast.

Fattan brought the boat alongside the pontoon, a servant met him with an attaché case containing clean *dishdasha* and head-dress, and within minutes the victor was stripped, dressed in immaculate whites and holding a huge silver cup aloft.

Yet in at least one respect, this brand of sailing resembles its hi-tech western counterpart. The planking may be teak, shaped by hand with an adze, but up aloft technology is making the massive spars lighter and lighter.

The British company Carbospars has a thriving workshop doing nothing but developing and producing ultra-light lateen spars in carbon fibre for the dhow owners who really want to win.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Barclays Bank 9¼ Bd '99 FFr925.0
Do 12¾% Snr Sb Bd '97 £127.50
Blue Circle Inds 4p
CS First Boston Finance Sb FRN '03 $30.83
China & Eastern Inv $0.07
Chubu Electric Power 6.125% Bd '01 Y61250.0
Forte 8⅜% Bd '97 £418.75
Galliford 0.5p
Housing Finance 11½% Db '16 £5.75
Mitsubishi Finance Intl FRN 2000 $27026.77
NKK 6.2% Bd '02 Y620000.0
Nippon Telegraph & Telephone 6¼% Nts '97 $312.50
Redland Sterling Funding 10⅞% Bd '01 £108.75
Sanwa Australia Finance Fxd/FRN '04 $3353.13
Sirdar 3.7p
Smithkline Beecham Capital 8⅛% Nts '98 £81.25
Societe Generale 7.875% Perp Sb Nts £78.75
Spirax-Sarco Engineering 4p
Tokyu 6.45% Nts '96 Y645000.0
Trans-Tokyo Bay Highway 5¾% Bd '03 $287.50

■ TOMORROW
Abtrust High Inc Tst 1.6p
Legal & General Finance 6.84% Bd '01 £1.71
Linx Printing Technologies 1.4p
London & Manchester 6.08p
Nippon Telegraph & Telephone 9⅜% Nts '98 $468.75
Northern Rock Bldg Scty 11⅜% Sb Bd 2000 £568.75
Premium Tst 2.5p
Trade Indemnity 0.5p

■ WEDNESDAY NOVEMBER 29
Avonside 1p
Bank of Montreal C$0.33
Bloomsbury Publishing 0.68p
Blue Circle Inds 10¾% Bd '13 £537.50
Broken Hill Proprietary A$0.25
Burn Stewart Distillers 3.3p
Hong Kong Inv Tst 1.25p
Murray Ventures 8.4p
NORWEB 150p
Servisair 1.4p
VCI 2.2p

■ THURSDAY NOVEMBER 30
Adscene 7¾% Conv Rd Pf 3.875p
Allied Domecq 5½% (3.85% net) Cm Pf 1.925p
Do 7½% (5.25% net) Cm Pf 2.625p
Allied Irish Banks Undtd FRN $320.89
Do Undtd VRN $183.68
BBA grp 6.75% Cm Rd Pf 3.375p
BCE Hldgs 0.09p
BNB Resources 2p
BTR Nylex A$0.055
Bankers Inv Tst 1.03p
Do 3.5% Cm Pf £1.75
Bank of Scotland 9¼% Non-Cum Irred Pf 4.625p
Do 9¾% Non-Cum Irred Pf 4.875p
Do Undtd VRN $173.78
Bradford & Bingley Bldg Scty FRN '96 £175.49
Bristol (City of) 11½% Rd '08 £5.75
British Aerospace 5p
Capital & Counties 6⅞% 1st Mort Db '95/2000 £3.4375
Cater Allen Gilt & Fxd Inc Partg Rd Pf (Gilt Inc Fd) 20p
Chase Manhattan Sb FRN '97 $154.83
Chesterton Intl 2p
City of Oxford Inv Tst 1.3p
Clayhithe 9.5% Sb Conv Un Ln 2000/01 £4.75
Collaterised Mort Secs (No.5) Mort Bkd FRN '27 £116.76
Do (No.7) Cl A2 Mort Bkd FRN '28 £135.50
Do (No.7) Cl A3 Mort Bkd FRN '28 £185.58
Do (No.9) Cl A3 Mort Bkd FRN '33 £185.03
Community Hospitals 5.8p
Contra-Cyclical Inv Tst 2.25p
Co-Operative Bank 9.25% Non-Cum Irred Pf 4.625p
Cropper (James) 9% Un Ln '94/99 £4.50
Delyn 0.5p
Dumyat Inv Tst Conv Mthly Div 0.49p
Dunlop Plantations 6% (4.2% net) Cm Pf 2.1p
Eksportfinans 7¼% Nts '98 £72.50
Electric & General Inv 10¾% Db '11 £5.375
Fleming Geared Inc & Assets Inv Tst 6.3%-13.3% Partg Pf'd 6.65p
Fleming (Robert) Netherlands Prim Cap Undtd FRN $333.59
Forward Technology Inds 1p
Gartmore British Inc & Gwth Tst 1.95p
Do UNITS 1.95p
Geared Inc Inv Tst 1.75p
Glasgow Inc Tst 0.6p
Global 0.2p
Go-Ahead 3.2p
Goodhead 0.05p
Do 7% Conv rd pf 3.5p
Great Universal Stores 10.5p
Hays 4.75p
Headlam 1.2p
Higgs & Hill 1p
Homer Finance (No.2) Cl A Mort Bkd FRN '30 £117.65
Do Cl B Mort Bkd FRN '30 £218.19
Hopkinsons 0.5p
How Grp 0.375p
Hunting 8.25% Conv Pf 4.125p
Hydro-Quebec 15% Ln '11 £7.50
ISA Intl 0.73p
Ivory & Sime ISIS Tst Conv Ann Shs 5.5p
Johnson Fry 2p
Jove Inv Tst 3.1p
Kleinwort Benson Prim Cap Undtd FRN $327.24
Do Prim Cap Undtd FRN (Ser 2) $327.24
Kleinwort Charter Inv Tst 4% Cm Pf £2.0
Lloyds Bank Prim Cap Undtd FRN (Ser 2) $153.25
London & Manchester 8⅛ Nts '04 £81.25
London & St Lawrence Inv 3.12p
Macquarie Bank Sb FRN Bd 2000 $35.90
Maple Mort Secs Cl A1 Mort Bkd FRN '30 £1426.46
Do Cl A2 Mort Bkd FRN '30 £1753.07
Do Cl B Mort Bkd FRN '30 £1845.32
Maunders (John) 3.25p
McAlpine (Alfred) 3p
Midland Bank 14% Sb Un Ln '02/07 £7.0
Minstergate 10% Cm Pf 5p
NHL (1) Secs D'frrd Int Mort Bkd FRN '28 £37.83
Nationwide Bldg Scty FRN '95 (1991 Issue) $154.57
NatWest Bank Prim Cap FRN Ser C $151.67
Old Mutual South Africa Tst 2.64p
PEWC (Treasury) FRN '98 $8721.09
Partco 2.25p
Peterson Zochonis 7.5% Cm Pf 3.75p
Do 10% Cm Pf 5p
Peel 5¼% Conv Non Vtg Pf 2.625p
Persona 1.44p
Prudential Corp 5.3p
RMC Capital Ltd 8¾% Conv Cap Bd '06 £43.75
Ragby FRN Aug 23 '97 $15558.47
Do FRN Oct 31 '97 $5062.50
Do FRN '98 $15558.47
Refuge 4p
Ricardo 4.3p
Richards Grp 1p
Roskel 1.3p
Royal Bank of Canada FRN '05 $49.48
Russell (Alexander) 1.1p
St. Modwen Properties 8.5% Cm Rd 2nd Pf 4.25p
Sedgwick 7¼% Conv Bd '08 £181.25
Senior Engineering 1.37p
Specialeyes 10% Conv Un Ln 2000 £5.0
Standard Chartered Sb FRN '96 £86.95
State Bank of NSW 6½% Bd 2000 A$65.0
Sterling Publishing 6% Conv Cm Rd 'A' Pf 2000 3p
Stoddard Sekers Intl 4% Cm Pf 2p
Sun Alliance 7.25% Conv Sb Bd '08 £36.25
THFC (Indexed 2) 5.5% IL '24 £2.8129
TMC P.I.M.B.S. 5th Fin Cl Nts Issue No.6 Aug '28 £59.40
Do Cl Nts Issue No.1 Aug '30 £175.50
Do 7th Fin Cl A Nts Issue No.8 Aug '31 £77.51
Do 7th Fin Cl B Nts Issue N0.8 Aug '31 £189.71
TR City of London Tst 1.42p
TR Smllr Cos Inv Tst 10½% Db '16 £5.25
TSB Grp Sb VRN '03 £183.87
TSB Hill Samuel Bank Hldg Pp FRN $320.89
TT Finance 11⅝% Db '18 £5.65625
Tate & Lyle 7.25p (net) Conv Rd Pf 3.625p
Thorntons 3.8p
3i Intl FRN '99 £175.49
Throgmorton Tst 12⅝% Db '10 £6.15625
Do 7.25% Conv Un Ln '03 £3.625
Trust Union Finance (1991) 8⅛% Db '08 £4.0625
Urban Mort Bank of Sweden Sb FRN '01 $19221.35
Value & Inc Tst 9⅜% Db '26 £3.93
WPP Grp 0.445p
Waterford Wedgwood UNITS IR0.25p
Wells Fargo Sb FRN 2000 $50.0

■ FRIDAY DECEMBER 1
Aberforth Split Level Tst 2.1p
Do Units 2.1p
Alexandra Workwear 2.5p
American Brands $0.50
American General $0.31
Amstrad 1.5p
Andrews Sykes Conv Pf 3.5p
Austin Reed 2p
Barclays Bank Non-Cum $ Denom Pf Shs Ser C1 $0.4219
Do Non-Cum $ Denom Pf Shs Ser C2 $0.1406
Do Non-Cum $ Denom Pf Shs Ser D1 $0.4313
Do Non-Cum $ Denom Pf Shs D2 $0.1437
Do UNITS $0.5625
Do Regd Ser D Pf Units $0.575
Bardon 0.8p
Bilton 2.89p
Boeing $0.25
Bostrom 2.7p
Camas 1.25p
Canning (W) 3.2p
Caradon 7.25p Conv Rd Pf 3.625p
Cater Allen 5% (3.5% net) Cm Pf 1.75p
Do 4.2% 2nd Cm Pf 2.1p
Cookson 3.5p
Dalgety 13.5p
Delta 4.5p
DePfa Finance 7¼% Bd '08 C$72.50
Dinkie Heel 0.5p
ECU Tst 0.5p
Eadie 0.4p
Edinburgh Inv Tst 3.25p
English National Inv 5.4p
Do Defd 2.95p
Everest Foods 2.6p
FII Grp 8.75p
Fleming Claverhouse Inv Tst 1.45p
Fleming Inc & Cap Inv Tst 1.2p
Do UNITS 1.2p
Fleming Merc Inv Tst 4¼% Perp Db £2.125
Folkes 0.622p
Do Non Vtg 0.622p
Ford Credit Europe FRN '96 £34.91
Ford Motor $0.35
Foreign & Colonial Inv Tst 4¼% Perp Db £2.125
Garton Engineering 1.5p
General Cons Inv Tst 4¼% (2.975% net) 'A' Cm Pf £1.4875
Glaxo Wellcome 8¾% Bd '05 £43.75
Govett Oriental Inv Tst 5% (3.5% net) Cm Pf 1.75p
Great Portland Estates 9.5% Conv Un Ln '02 £4.75
Greencore 9.5% Conv Un Ln '95 IR£4.75
Guinness 7⅜% Nts '97 £73.75
Halstead (James) 5.5p
Hambros Inv Tst 3½% (2.45% net) Cm Pf £1.225
Harris (Philip) 7½% (5.25% net) Cm Pf 2.625p
Do 8% (5.6% net) 'B' Cm Pf 2.8p
House of Fraser 1.7p
Ibstock 0.75p
Illingworth, Morris (Saltaire) 7% (4.9% net) Non-Cum Pf 1.225p
Inco $0.10
Ingersoll-Rand $0.185
Intl Stock Exchg of UK & Ire (Rep of) 7¼% Mort Db '90/95 £3.625
Kirklees Metropolitan Council 11.6% Rd '31 £5.80
Ladbroke 2.4p
Lamont 3.65p
Law Debenture Corp 4½% Db (Perp) £2.25
Legal & General 7.7p
Lewis (John) Partnership 5% (3.5% net) Cm Pf 1.75p
Do 7½% (5.25% net) Cm Pf 2.625p
Lister 5% (3.5% net) Cm Pf 1.75p
Do 4% Db Rd £2.0
Lombard North Central 6% (4.2% net) Cm 1st Pf 2.1p
Do 5% (3.5% net) Cm 2nd Pf 1.75p
London (County of) 2½% Consd (In or after 1920) £0.625
Do 3% Consd (In or after 1920) £0.75
Meggitt 1.3p
Microvitec 0.4p
Minerals Oils & Resources Shares Fd $0.25
Monks Inv Tst 11% Db '12 £5.50
Murray Smllr Mkts Tst 4.1% Cm Pf 2.05p
National Power 6¼% Bd '03 $62.50
National & Provincial Bldg Scty 10¾% Sb Bd '06/11 £1075.0
Northern Leisure 2p
Ontario & Quebec Railway Cap (Cm 6% gross) C$3.0
Do 5% Perm Db £2.50
Oriel 2p
Pantheon Intl Participations 2.3p
Perry 2.9p
RMC Grp 7.7p
RPH 4% (2.8% net) Cm Pf 1.4p
Do 8% (5.6% net) Cm Pf 2.8p
Record 1.15p
Reed Intl 4½% (3.15% net) Cm Rd Pf 1.575p
Do 5½% (3.85%) Cm Rd Pf 1.925p
Save & Prosper Linked Inv Tst 18.3p
Scottish Mort & Tst 1.5p
Shiloh 1p
Silk Inds 2p
Sony Y25.0
Sun Alliance 5.9p
TR Smllr Cos Inv Tst 4½% (3.15% net) Cm Pf 1.575p
Tesco 3.05p
USLIFE $0.23333
Union Carbide $0.1875
United News & Media 7.75p
Venturi Inv Tst 1.78p
War Loan 3½% £1.75
Wright (John)(Weaving) 4½% (3.15% net) Cm Pf 1.575p
Yorklyde 2.65p

SATURDAY DECEMBER 2
BAT Inds 12¼% Un Ln '03/08 £6.125
Enterprise Oil 10¾% Un Ln '13 £5.375

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Murray Ventures, 7, West Nile Street, Glasgow, 12.30

BOARD MEETINGS:
Finals:
Ashbourne
F & C PEP Inv Tst
Moran Hldgs
Nat West Irish Smaller Co's Tst
Sanderson Elec
Tunstall
Interims:
Atreus
British Inv Tst
Dee Valley Water
European Colour
Field Grp
Gibbs Mew
Marling Inds
Merrydown
Neepsend
Photobition
Rainford
Salvesen (Christian)
Shaw (Arthur)
Tinsley Robor
Vibroplant

■ TOMORROW
COMPANY MEETINGS:
Amstrad, Tower Thistle Hotel, St. Katherines Way, E., 3.00
Chesterton Int, 25, Copthall Avenue, E.C., 2.00
Old Mutual South Africa Tst, 3, Finsbury Avenue, E.C., 12.30
Smiths Inds, 765, Finchley Road, Childs Hill, N.W., 12.00
Verson Int, Copthorne Hotel, Paradise Circus, Birmingham, 10.00

BOARD MEETINGS:
Finals:
Concentric
Euromoney Publications
Morland
Mountview Estates
Interims:
Barlo Grp
Edinburgh Inc Tst
Falcon
Int Tool & Supply
Invesco Blue Chip Tst
Man (ED & F)
Monks Inv Tst
Norcros
Severn Trent
Wessex Tst

■ WEDNESDAY NOVEMBER 29
COMPANY MEETINGS:
Davies (DY), 3, Paradise Road, Richmond, Surrey, 11.00
European Smaller Co's, Swan House, 33, Queen Street, E.C., 12.00
Green (Ernest), 36, St. Andrews Hill, E.C., 12.00

BOARD MEETINGS:
Finals:
JLI
National Home Loans
Tate & Lyle
Interims:
Andrews Sykes
Argyll Grp
Bendt
CPL Aromas
Evans of Leeds
Johnson Matthey
Marston Thompson & Evershed
Mid Kent Hldgs
Northamber
Shield Diagnostics
Waddington (John)
Wainhomes
Yorkshire Water

■ THURSDAY NOVEMBER 30
COMPANY MEETINGS:
Allied London Properties, Four Seasons Hotel, Park Lane, W., 12.00
Brunel Hldgs, Olympiad Leisure Centre, Monkton Park, Chippenham, Wilts., 11.00
My Kinda Town, Chicago Pizza Pie Factory, Hanover Square, W., 12.00
St. Ives, St. Ives House, Lavington Street, S.E., 10.00

BOARD MEETINGS:
Finals:
Fenchurch
Grand Metropolitan
Hanson
MEPC
RM
Royal Bank of Scotland
Scottish Inv Tst
Scottish Radio
Interims:
BPB Inds
Bristol Evening Post
Castings
European Motor
Firth
GEI Int
Hogg Robinson
Joseph (Leopold)
ML Hldgs
Merchant Retail
Metrotect Inds
OMI Int
RPC
South West Water
Stagecoach
3i Grp
Tops Estates

■ FRIDAY DECEMBER 1
COMPANY MEETINGS:
Eleco, Belcon House, Essex Road, Hoddesdon, Herts., 10.00
Halstead (James), Holiday Inn Crowne Plaza Midland, Peter Street, Manchester, 12.00
Honeysuckle, 11, Regent Street, Leeds, 12.00
Manchester Utd, Armitage Centre, University of Manchester, Moseley Road, Manchester, 11.00
Manganese Bronze, 1, Love Lane, E.C., 12.00
Prestwick Hldgs, Station Hotel, Ayr, 12.00
Wescol, Westercroft Lane, Northowram, Halifax, 12.00
BOARD MEETINGS:
Finals:
Chrysalis
Fleming Indian Inv Tst
Henderson Strata Inv Tst
McCarthy & Stone
Interims:
Ascot Hldgs
Cater Allen
Hicking Pentecost
New London Capital
Vendome Luxury

Company meetings are annual general meetings unless otherwise stated.

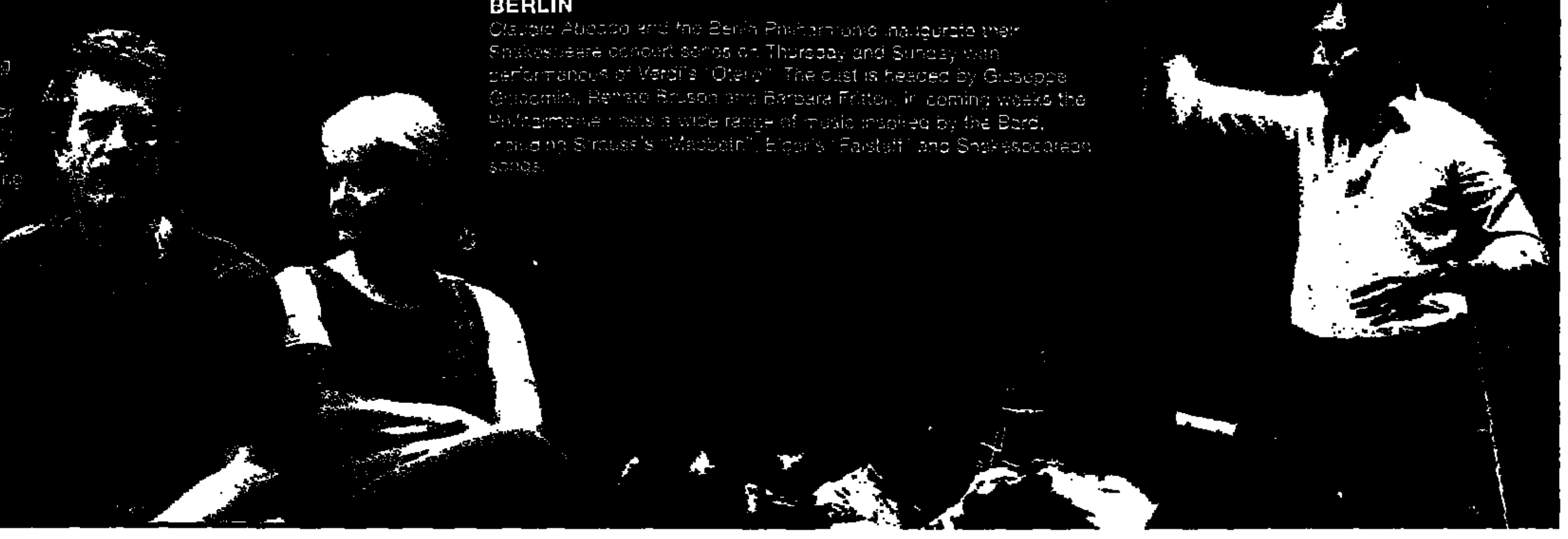
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

OPENINGS

MUNICH
The Lenbachhaus is offering a rare opportunity to view its large collection of paintings by Kandinsky (1866-1944). The exhibition focuses on the years 1903 to 1916, and provides a documentary record of Kandinsky's progress towards abstraction. It opens on Wednesday and runs till March.
The Kunsthalle is the first European stop for an exhibition devoted to early Chinese civilisation. The 200 objects - many of them uncovered during recent archaeological excavation - illustrate Chinese culture, religions and rituals in the ten centuries before Christ. The exhibition opens on Saturday and will later travel to the British Museum in London.

ZURICH
The young Russian soprano Elena Prokina, whose Tatyana captivated Glyndebourne audiences two summers ago, makes her role-debut as Amelia in Verdi's "Simon Boccanegra" at the Zurich Opera House on Saturday. Marco Arturo Marelli's new production is conducted by Nello Santi, and the cast includes Juan Pons, Ruggero Raimondi and Vincenzo La Scola.

LONDON
"The Break of Day", a new play by Timberlake Wertenbaker, opens on Tuesday at the Royal Court, starring Brian Protheroe (right) and Maria Friedman. Wertenbaker is the author of "Three Birds Alighting on a Field". Max Stafford-Clark, who staged the original production of that play during his regime as artistic director of the Royal Court, directs this new play with his own touring company Out of Joint.



BERLIN
Claudio Abbado and the Berlin Philharmonic inaugurate their Shakespeare concert series on Thursday and Sunday with performances of Verdi's "Otello". The cast is headed by Giuseppe Giacomini, Renato Bruson and Barbara Frittoli. In coming weeks the Philharmonie hosts a wide range of music inspired by the Bard, including Strauss's "Macbeth", Elgar's "Falstaff" and Shakespearean songs.

A versatile risk-taker

Stephen Amidon considers the life and work Louis Malle, the French-born transatlantic film director, who died last week

Versatility is not always a virtue in a film director, suggesting as it does that the man behind the camera might be more journeyman than auteur. It is to Louis Malle's lasting credit that he was able to produce a remarkably varied body of work without for a moment appearing to be an eye for hire. Despite working in an assortment of genres and languages, he stamped nearly all his films with his own unique fusion of visual elegance, disquieting intelligence and flinty compassion.

Malle was born in 1932 into an immensely wealthy family. As a teenager in occupied France he was sent away to be educated by the Jesuits, a physically austere yet emotionally rich experience that was to prove the source of some of his greatest work. After the war, he studied political science at the Sorbonne before switching to film, serving a string of apprenticeships that were the stuff a young film maker's dreams are made on. First, he sailed with Jacques Cousteau on the Calypso, co-directing and photographing the remarkable undersea documentary *The Silent World* (1956). This was followed by a job assisting the great Robert Bresson on his masterpiece, *A Man Escaped*, and then work as a cameraman for the legendary Jacques Tati.

With such an education, it is hardly surprising that Malle's first two films, both released in 1958, would vault him to the forefront of French New Wave directors. *Frantic* was a riveting, atmospheric thriller starring Jeanne Moreau and scored by Miles Davis, while *The Lovers* scandalised movie-goers with its frank portrayal of bourgeois sexuality. However, Malle's affinity with the New Wave was to be short-lived – ill-advised attempts to follow the likes of Goddard into French cinema's more turbulent waters resulted in the barely comprehensible *Zazie dans le Métro* (1960) and the off-kilter Bardot vehicle *A Very Private Affair* (1962). Malle was clearly unsuited to surf on anyone else's wave. The rest of his career was to prove him to be a cinematic movement of one.

He distinguished himself from his contemporaries with *The Fire Within* (1963), a dark yet hauntingly beautiful character study of the last days of a self-destructive alcoholic. But, having removed himself from the inner circle of fashionable French cinema, Malle took a while to find his true style – the remainder of the 1960s saw little first rate feature work from him, although a prolonged journey to India in the latter part of the decade resulted in several beautifully shot, controversial documentaries that focused on poverty and overcrowding on the sub-continent.

In 1971, Malle came into his own when he directed the first of his two great studies of adolescence, *Murmur of the Heart*, a closely observed, bitter-sweet story of a fourteen year-old boy's coming of age in a bourgeois household. This was followed by *Lacombe Lucien* (1973), Malle's devastating account of a French peasant who turns Gestapo informant during the Occupation, only to then fall in love with a Jewish girl. It saw Malle at the peak of his understated powers, using simple imagery and deft characterisation to create an unforgettable study of guilt and power.

Malle's next major film charted another change of direction, as he crossed the Atlantic to begin working in Hollywood. *Pretty Baby* (1978) had the dubious distinction of introducing Brooke Shields in the controversial role of a 12 year-old prostitute, though in the end the film proved to be too tepid for its own good. In 1980 Malle married the actress Candice Bergen, strengthening his ties to America. His next two films were undisputed triumphs. *Atlantic City* (1981) was one of the finer movies of the decade, an idiosyncratic, deeply moving account of an ageing gangster which saw Burt Lancaster giving the best performance of the latter part of his career. It also earned Malle one of his three Oscar nominations. Then came another radical departure, *My Dinner with Andre* (1981), a delightful two-hander in which Malle managed to turn two hours of dinner table chat between theatre director Andre Gregory and playwright Wallace Shawn into a dramatic masterwork.

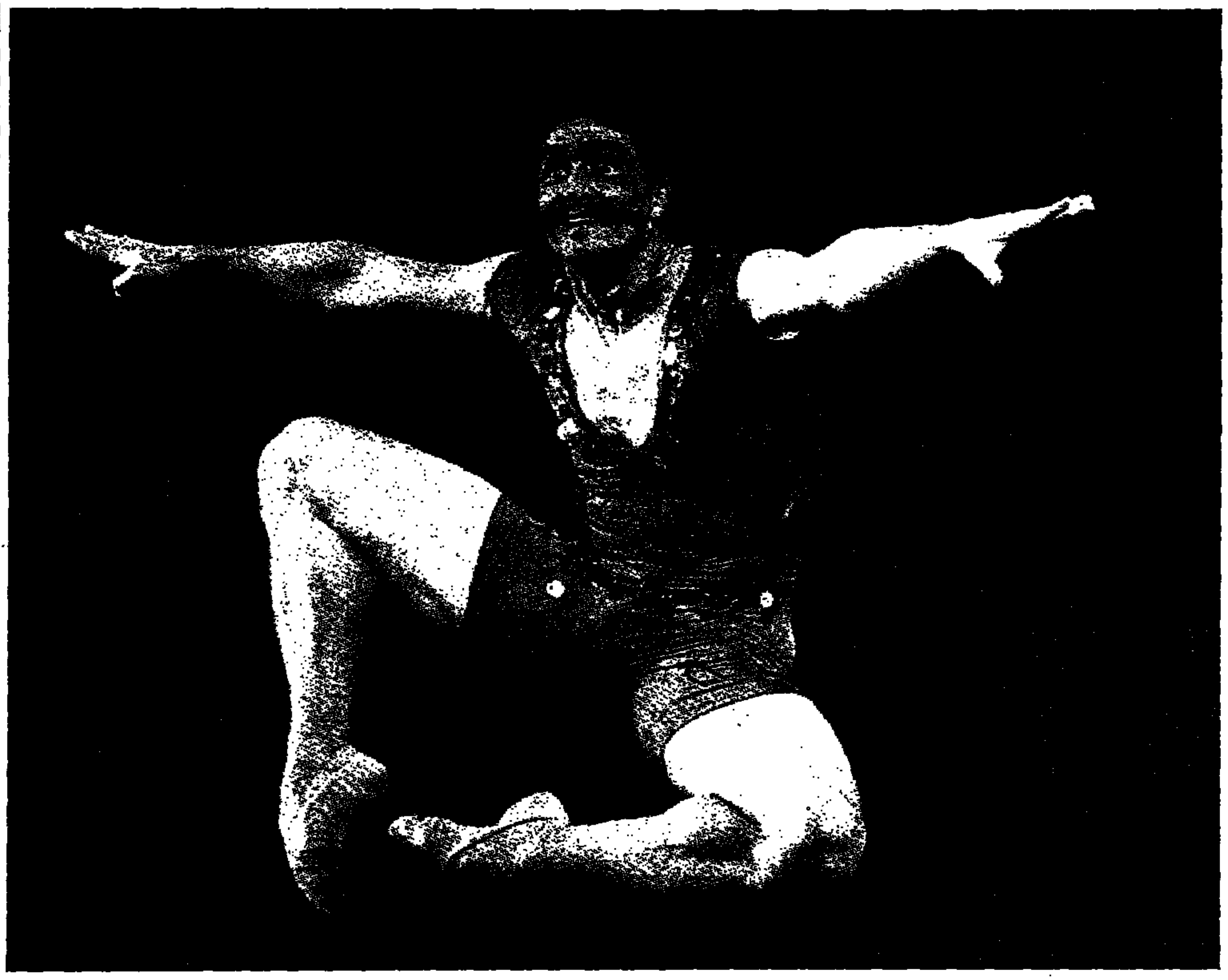
Malle's next two American efforts, however, suggested that his flirtation with Hollywood had soured. *Crackers* (1984) was a humourless caper drama set in San Francisco, while *Alamo Bay* (1985) proved to be a well-meaning but uninspired treatment of Vietnamese refugees in Texas.

Any thoughts that Malle's career was in decline were dispelled when the director again changed course, returning to his native language and his wartime childhood to create his greatest film, *Au Revoir les Enfants* (1987). Set in a Jesuit boarding school in 1944, it tells the story of the tenuous friendship between a privileged young Catholic boy and a Jewish student who is being hidden from the Nazis by the headmaster. Unsentimental yet moving, simple yet profound, it is the quintessential Louis Malle film, as well as one of the great cinematic testaments of youth.

Less successful was *Damage* (1992), adapted from Josephine Hart's sweaty-palmed novel of adultery among the British ruling classes. Although the film has its defenders, Malle's characteristic restraint proved a poor match for the fraught subject matter. Fortunately, he was able to make one more fine film before succumbing to lymphoma. *Vanya on 42nd Street* (1994) was a suitably daring rendition of Chekhov's great play set within the context of a rehearsal in a bare Manhattan studio. It is fitting that the last film by this least conventional of leading directors should be such a risk taker.

Malle's career was not without its failures, though these were always the result of an ambition and daring that is rare among A-list directors. It would have been easy for him to have spent his career churning out well-made French pictures dealing with the occupation or satirising the bourgeoisie. His decision to stretch himself with nearly every film while retaining a place in the mainstream makes him unique among modern film makers. With his death, world cinema has lost one of its most adventurous spirits.

A still from "Vanya on 42nd Street", Malle's last film



Irek Mukhamedov in the jokey 'Side Show': 'broad fun as the bulgey chap'

Alastair Muir

Ballet/Clement Crisp

Imagination and artistic thrift

There are times when the Royal Ballet reveals a miserliness, a vein of ultra-careful artistic thrift, which is as unlovely in an opera house as it is in life. Possessed of a grand repertory – one, I would venture, as varied as any in the world – the company has contrived a new quadruple bill not notable for imaginative generosity.

At Covent Garden on Thursday night we had three scores by Stravinsky – so why not a fourth from the ancestral riches? The exhumation of a Stravinskian frivol by MacMillan is too inconsiderable for the occasion, especially when his *Baiser de la fée* has been neglected for years. And there is a revival of Ashley Page's clattering *Fearful Symmetries*, when Ashton, Fokine, Massine, Nijinska, lie unconsidered in the vaults.

The evening began with *Apollo*, in a performance so musically denatured as to be more like *Two Pigeons*. Under Peter Ernst Lassen the orchestra produced sound that made one think: "Really, Massenet was quite adventurous for his time." Soupy, slack-rhythmed, every bar was determinedly *gemütlich*. Balanchine's text, Stravinsky's score, are taut-muscled: this is a ritual not a tea-dance, and it is to the credit of Jonathan Cope's Apollo – a big-scaled reading which has a fine and innocent dignity – that the piece made sense. And, to the sound of a Te Deum, Darcey Bussell was Terpsichore. Her spiritual and physical sympathy with Balanchine choreography is remarkable. His dances speak, she hears and obeys, and shows us – I am sure – what he wanted from a ballerina. Sublime shapes, sustained impetus, musical sensitivity: these mark a reading of real beauty.

Such qualities were only partly in evidence with Viviana Durante and Bruce Sansom in Balanchine's *Duo Concertant*. It is a duet they have danced well in the past. Now it looks cosy, somehow cute.

The idea of the artist-lover with his muse, which runs hidden through the piece and surfaces in the final romantic section, is decorated with a sweet confidentiality between the couple. Where once they seemed serious, they are now conspirators in charm. Dancing admirably, they offer "interpretation" as well. Fatal. Balanchine used to tell "interpreters" of his work: "Just dance the steps." The playing of Yury Torchinsky and Philip Gammon was everything the dancing should be: polished, resonant.

Duo was preceded by MacMillan's jokey *Side Show* to Stravinsky's orchestration of his *Easy Pieces*, in the weirdest of juxtapositions. This romp was made for a gala, and featured Lynn Seymour as a battered circus equestrienne at odds with Nureyev as a strong-man. It should have remained in our memories. Irek Mukhamedov has broad fun as the bulgey chap; Miyako Yoshida shows too much vivacity for a woman whose muscles are as exhausted as her soul.

The evening ends amid the long-distance racket of John Adams's score *Fearful Symmetries*, realised by Ashley Page. The piece is self-consciously "modern", with busy steps, and busy set by Anthony McDonald – coloured shapes whisking in and out like Italian governments. Its manner is as brutish as the costuming, the dancers' energy banging around the stage and ricocheting off their colleagues.

It is Mukhamedov, tearing into the dance like a latter-day Spartacus, who alone makes sense. His duet with Ann de Vos has a wiry integrity. The rest of the cast rush hair-raisingly about – motorcycle messengers having nothing to deliver.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● *Messa da Requiem*: by Verdi. Performed by the Amsterdam Promenade Orkest and K.C.O.V. Amsterdam, with conductor Martin Kamminga. Soloists include Bernadette Degelin, Margareth Beunders, Ludwig van Gijsegem and Joep Bröcheler; 8.15pm; Nov 28

■ ATHENS

CONCERT
Athens Concert Hall
Tel: 30-1-7282333
● Gidon Kremer and Oleg Maisenberg: the violinist and pianist perform works by Enescu, Ives, Mendelssohn and R. Strauss; 8.30pm; Nov 28, 29

■ BARCELONA

CONCERT
Palau de la Música Catalana
Tel: 34-3-2681000
● Philharmonia Virtuosi New York with conductor Richard Kapp, flutist Claudi Arimany and Mela Tenenbaum on viola d'amore, perform works by Fasch, Barber, Vivaldi, Mozart and Haydn; 9pm; Nov 28

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● The Israel Piano Quartet and the Dresdner Klaviertrio: perform works by Ben-Haim, Brahms, Zemlinsky and Schubert; 8pm; Nov 30
OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● La Traviata: by Verdi. Conducted by Shao Chia Lu and performed by the Komische Oper; 7.30pm; Nov 28; Dec 4

■ BONN

CONCERT
Beethovenhalle Tel: 49-228-631321
● Orchester der Beethovenhalle Bonn: with conductor Marc Soustrot, the Chor der Oper Bonn, violinist Pierre Amoyal and soprano Katia Popova perform R. Strauss' "Don Juan", Berg's "Violin Concerto", Dukas' "L'Apprenti Sorcier" and Poulenc's "Stabat Mater"; 8pm; Nov 30

■ COPENHAGEN

CONCERT
Radio House Concert Hall
Tel: 45-35 20 30 40
● Weihnachtsoratorium (Part 1, 2 and 3): by J.S. Bach. Performed by the Radiosymfoniorkestret and Radiokoret, with conductor/tenor Peter Schreier. Soloists include Henriette Bonde-Hansen, Randi Stene, Ralph Schreier and Robert Holl; 8pm; Nov 30; Dec 1

■ GENEVA

THEATRE
Grand Casino Tel: 41-22-7319811
● Monsieur de Saint Futile: by Dorin. Directed by J.L. Moreau, starring J.C. Brialy in the title role; 8.30pm; Nov 28, 29, 30

■ HAMBURG

OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● L'Elisir d'Amore: by Donizetti. Conducted by Rainer Mühlbach and performed by the Hamburgische Staatsoper. Soloists include Inva Mula, José Bros, Lucio Gallo and Joszef Gregor; 7.30pm; Nov 29

■ LONDON

AUCTION
Christie's Tel: 44-171-8399060
● Impressionist and Modern Paintings, Watercolours and Sculpture, Part I & II: including one of the two bronze versions of Constantin Brancusi's "Le Commencement du Monde" (on sale on Nov 28), as well as works by Monet, Picasso, Bonnard and Degas; 7pm; Nov 28, 29 (10.30am)
CONCERT
Barbican Hall Tel: 44-171-6388891
● Oslo Philharmonic Orchestra: with conductor Paavo Berglund and pianist Leif Ove Andsnes perform Sibelius' "Finlandia", "Rakastava" and "Symphony No.1", and Beethoven's "Piano Concerto No.4"; 7.30pm; Nov 29
Royal Festival Hall
Tel: 44-171-9604242
● London Mozart Players: with Matthias Bamert and clarinettist Emma Johnson perform works by Ravel, Mozart, Strauss, Takemitsu and Haydn; 7.45pm; Nov 29
St. John's, Smith Square
Tel: 44-171-2221061
● Mark Tanner: the pianist performs Liszt's "Dante Sonata", "Two Consolations", "Nuages Gris" and "Sonata in B minor"; 7.30pm; Nov 28
Wigmore Hall Tel: 44-171-9352141
● Franz Hawlata: accompanied by pianist Helmut Deutsch. The bass performs songs by Schubert; 7.30pm; Nov 28
EXHIBITION
National Portrait Gallery
Tel: 44-171-3060055
● The Lure of the Limelight - James Abbe, Photographer of Cinema and Stage: the first major retrospective of James Abbe's work. Abbe (1883 - 1973) was one of the leading American celebrity photographers of the 1920s and is best known for his iconic portraits of stars of the cinema and stage; from Dec 1 to Mar 24
Tate Gallery Tel: 44-171-8878000
● Picturing Blackness in British Art (from 1760 to the 1990s): exhibition of a selection of works from the Tate Gallery's Collection, aiming to raise questions about racial identity and notions of Britishness. The display focuses on the representation of black Britons of Afro-Caribbean origin; from Nov 28 to Mar 10
OPERA & OPERETTA
Royal Opera House - Covent Garden Tel: 44-171-2401200
● Mathis der Maler: by Hindemith. Conducted by Esa-Pekka Salonen and performed by The Royal Opera. Soloists include Inga Nielsen, Christiane Oelze, Wolfgang Fassler and Robert Tear; 7pm; Nov 28; Dec 1

■ MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Lithuanian Chamber Orchestra: with conductor Yehudi Menuhin and the Kaunas Choir perform J.S. Bach's "Mass in B minor"; 7.30pm; Nov 29

■ NEW YORK

CONCERT
Avery Fisher Hall
Tel: 1-212-875-5030
● New York Philharmonic: with conductor Yuri Temirkanov perform Rimsky-Korsakov's "Russian Easter Festival Overture", Ravel's "Ma Mère l'Oie" and Rachmaninov's "Symphonic Dances"; 8pm; Nov 30; Dec 1 (2pm), 2
EXHIBITION
Whitney Museum of American Art
Tel: 1-212-570-3633
● Collection in Context - Picassoid: a fascination with Picasso has spanned most of the 20th century and stimulated many innovations in American art. Selected almost exclusively from the museum's collection of drawings, the exhibition focuses on three phases of Picasso's work that continue to inspire American artists: Cubism, Classicism and Surrealism; to Dec 10
JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Rachelle Ferrell & her Jazz Trio: featuring Eddie Green, Tyrone Brown and Damon Duewhite; 9pm & 11.30pm; Nov 28, 29, 30; Dec 1, 2, 3
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● La Fille du Régiment: by Donizetti. Conducted by Edoardo Müller and performed by the Metropolitan Opera. Soloists include June Anderson, Sarah Walker and Luciano Pavarotti; 8pm; Nov 28

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Symphonique Français: with conductor Alexander Symeonides and pianist Pierre Reach perform works by Rossini, Liszt and Beethoven; 8.30pm; Nov 28
THEATRE
Comédie Française, salle Richelieu Tel: 33 1 40 15 00 15
● Mille Francs de récompense: by Hugo. Directed by Jean-Paul Roussillon, starring Simon Eine, Nicolas Silberg, Dominique Rozan and Catherine Ferran; 8.30pm; Nov 28; Dec 2, 3 (2.30pm), 6 (2.30pm)

■ STRASBOURG

THEATRE
Théâtre National de Strasbourg
Tel: 33-88 52 17 63
● L'année des treize lunes: by Fassbinder/Martinelli. Directed by Jean-Louis Martinelli and performed by the Théâtre National de Strasbourg; 8pm; from Nov 28 to Dec 21

WORLD SERVICE

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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Michael Prowse · America

Flying high again

Despite the release of gloomy statistics on productivity growth, the US is experiencing an economic renaissance

US equity investors are relishing one of the greatest bull markets of the century. The Dow Jones Industrial Average pierced 3,000 in April 1991, 4,000 in February of this year and 5,000 just last week. It may seem ironic, therefore, that officials are about to release revised output and productivity data which, seemingly, wipe away much of the economic rationale for Wall's Street's optimism.

Statisticians are trying to correct several biases at once, including an overstatement of *productivity growth due to a* growing discrepancy between income and product measures of gross domestic product. But the change attracting most attention is an innovative shift to "chain-weighted" measures of GDP.

The custom everywhere is to weight the output of various sectors of the economy according to the prices ruling in some "base" year which is periodically updated. This creates a "substitution bias" *because the parts of the economy* that grow rapidly tend to be those where prices are falling or rising less quickly than elsewhere. Computer prices, for example, have plummeted since 1987 (the present base year) but the output of this sector is still weighted by the old high prices.

As a result existing figures substantially overstate growth since 1987 while understating it in all previous periods. The chain-weighted indices eliminate this distortion because the weights used in national accounts are continually updated: output at every date is measured according to the price structure ruling at that date.

The adjustments are anything but trivial. On the new measure GDP has grown at an average annual rate of 2.5 per cent in the current upturn, not 3.1 per cent as previously estimated. The official estimate of long-run potential growth has dropped from 2.5 per cent to an unimpressive 2 per cent. Because chain-weighting also reveals the past in a more favourable light, the new figures undermine claims of a productivity "miracle" in the 1990s.

As the chart shows, on the old figures productivity in non-farm businesses grew at an annual rate of 1.8 per cent, more than double that in the 1970s or 1980s. On the new figures, the productivity improvement virtually disappears. Output per hour now appears to have grown at an annual rate of only 1.2 per cent in the 1990s, hardly any *better than in the stagflationary* 1970s.

Without disputing the logic of chain-weighting, many economists believe the revised figures may provide a poorer guide to underlying trends than the old data. Statisticians, they say, have removed some upward biases but failed to address downward biases that are arguably more serious. Speaking recently in Chicago, Mr Alan Greenspan, the Federal Reserve chairman, *said the new data "will accen*tuate the seeming conflict between the official statistics and what is suggested by the rather compelling reports of productivity improvement we hear from American businesses".

There are several obvious downward biases. The fact that the consumer price index overstates inflation means that real consumption spending – and hence real GDP – is understated. But Mr Greenspan focused mainly on a more profound dilemma: the progressive *substitution* of ideas for physical matter in the creation of economic value. The most serious bias, he suggested, is the failure of statisticians to recognise investment that takes the form of wealth-creating ideas rather than physical plant. Corporate outlays on computer software are just as wealth-enhancing as steel mills. Yet by convention they are not capitalised but rather *treated as an expense of pro*duction. The same is true of many other conceptual inputs, such as workforce training.

Mr Greenspan drew some comforting conclusions for investors. US economic growth is more impressive than conventional figures suggest. And the growing gap between the market and book value of US companies probably reflects understated book values, rather than outrageous equity valuations.

*I share Mr Greenspan's opti*mism. I think US business is leaner and fitter than it has been for decades. Pre-tax corporate profits would not have doubled in real terms in the past three years if productivity growth had not accelerated. But suppose, for the sake of argument, that the official data are correct. I still think the global investment community's partiality for American shares is largely justified.

Looking at a variety of economic yardsticks, the US has outperformed its competitors *by a significant margin in the* 1990s.

The supposed Achilles heel of the economy – high budget deficits – is no longer much of a threat. The general government deficit (which includes state surpluses) is already at or below 2 per cent of GDP, the lowest of any large industrial country, Japan and Germany included. Fiscal plans – the proposed balancing of the federal budget by 2002 – are *among the most stringent* anywhere. Over time, the lower fiscal deficits will lead to lower trade deficits, which are in any case readily financed in today's liquid capital markets.

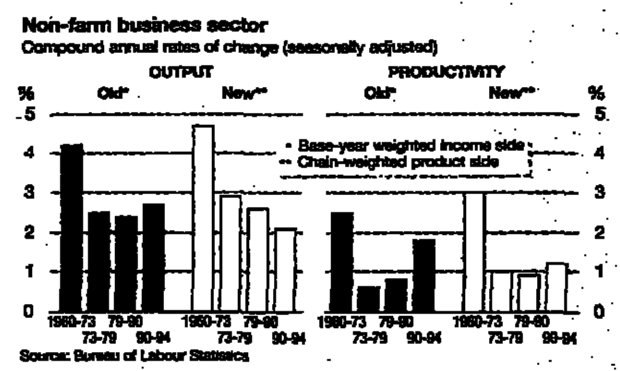
Other comparisons merely accentuate the US's economic superiority. In the 1990s it has been creating jobs at a rate that puts its rivals to shame. Although much of Europe still endures double-digit unemployment, the US jobless rate *has dropped to 5.5 per cent.* Yet this has not been at the expense of inflation which has also fallen to an underlying rate of about 2.5 per cent. Broad measures of employment costs are growing at their lowest rates in nearly 30 years – a remarkable achievement in the fifth year of an expansion.

And even on the new chain-weighted data this recovery has been powered by corporate investment to a degree unprecedented in decades. Business investment in durable equipment grew by 16 per cent in real terms last year and by 14 per cent in 1993. Exporters, meanwhile, are winning a larger share of overseas markets, reflecting US dominance in many crucial technologies such as computer software and telecommunications. I do not know if the astonishing rise in share prices is fully justified, but I do believe the US is experiencing an economic renaissance – notwithstanding the gloom of those grey-suited statisticians.

Conflicting measures of performance

Non-farm business sector

Compound annual rates of change (seasonally adjusted)



Source: Bureau of Labour Statistics

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Korea confident of bid to host World Cup

From Park Kyung-Jin.

Sir, I feel we must respond to your article on the bidding competition for the hosting of the 2002 World Cup ("Rough play in Asia's World Cup race", November 19). Some of the reporting and comment reflects neither the official position of the Korean bidding committee nor the realities of the competition for this great honour between Korea and Japan.

In the final paragraph your sweeping analysis of what "many" Koreans are thinking is misleading. There is no connection between the bidding for the World Cup and the Asian Games except that they are both great sporting events. The city of Pusan's bid for the Asian Games has already been successful.

Now the whole country, including Pusan as one candidate city, dreams of hosting the World Cup. We can guarantee that not a single person in Korea is thinking, as you imply, in terms of the Asian Games as a kind of consolation prize.

If you wished to know how Korea feels about its chances of hosting the World Cup, the simplest course would have been to contact someone here at the bidding committee. Far from expecting to miss our World Cup goal, we are increasingly confident that the FIFA Executive Committee will recognise that we have both an infrastructure and a football pedigree which make us a strong and credible candidate for the hosting of Asia's first World Cup. The head of the official FIFA inspection team which visited Korea earlier this month concluded that he could not find a single weak point in our bid.

Your correspondents produced an article based largely on unattributed comment and supposition. Korea has been to the World Cup finals four times. We have proven organisational ability from the 1988 Seoul Olympics. We think we can win this bid fairly and squarely.

Park Kyung-Jin,
director of public relations,
The Bidding Committee for 2002 World Cup in Korea,
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146-1 Susong-Dong,
Chongro-Ku,
Seoul, 110-140, Korea

Scanner invented by EMI

From Mr Colin Woodley.

Sir, Tony Jackson's article "The myth behind the miracle" (November 22) includes a quote from Mr Lonnie Edelheit, GE's head of research, claiming that his company "invented the CAT scanner" in the mid-1970s, when "very few companies could have done it". In fact, only one company did it – the British company EMI, not GE of the US. In recognition of his outstanding achievement, Godfrey Hounsfield, EMI senior research engineer, was honoured by both a knighthood and the Nobel Prize.

Subsequently, EMI licensed its many patents in the CAT X-ray medical scanning field to a number of other companies, including GE, as we are sure Mr Edelheit will acknowledge.

Colin Woodley,
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Thorn EMI,
4 Tennerden Street,
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Clear and useful purpose

From Mr Simon Buckingham.

Sir, Michael Prowse wrote an interesting article about higher education ("Endangered species", November 20) in which he calls academics at higher education institutions an endangered species.

Mr Prowse is right to question the role of geographically fixed campuses to which students travel in order to learn.

However, his case is more against the traditional university body itself than the academics who teach there. In a technology-based knowledge economy, their expertise is more, not less, valuable, whether delivered in person or electronically.

I share Mr Prowse's doubt about the role of institutions in a world where electronic networks are replacing physical communities. However, universities are probably the hardest type of institution to criticise. They act as a focal point for information exchange between those teaching and those learning.

All of the resources necessary for learning are available; the libraries, lecture halls and dormitories, and a multitude of different people make use of them. And when the knowledge has been imparted, the students move on, the institution having fulfilled its purpose. If only all institutions had these resources and such a clear and necessary purpose.

Simon Buckingham,
6 Goldwell Drive,
Newbury,
Berkshire RG14 1HZ, UK

Russian barter reflects poor faith in currency

From Dr Paul Seabright.

Sir, Your report that Russian companies are turning to barter because of the stresses of economic reform ("Russian companies strike barter deals as cash dries up", November 22) highlights a phenomenon that is widespread throughout the Commonwealth of Independent States, and represents a significant obstacle to an effective transition to a market economy. But it is not new: it was already happening on a large scale when I began visiting Russian factories in 1992. And although impressions are inevitably anecdotal and official statistics unreliable, it is probably now slightly on the decline in the CIS. Barter seems to be due to several factors. First, the unattractiveness of a depreciating rouble as a means of payment makes suppliers more willing to accept instead the goods that are all cash-strapped firms have to offer.

I recall a leather factory paying its supplier of animal hides in shoes which it received in turn from its large customers. The economic costs of this are high: the leather factory's entire investment budget was diverted into building warehouses to stock its shoes. In effect shoes had become a parallel currency for the entire sector.

Second, in the non-Russian republics with new currencies that are unattractive even compared to the rouble, barter is an alternative to foreign currency for all companies engaged in foreign trade, which is a large number given the historical specialisation of the Soviet Union.

Third, shortages of food and consumer goods have turned companies into lifeboats for their employees who would otherwise be afloat alone in an unpredictable market economy; several thousand people together can barter more effectively than one. So managers devote their time to searching out available commodities on behalf of their workforce, or at the insistence of their suppliers. A shoe factory in Tashkent pays its suppliers in porcelain, tomato paste and pasta; the director of a consumer goods factory admitted stoically to me that pilfering of unsaleable goods from the stock room was a useful supplement to employees' miserable wage packets.

Nothing demonstrates better the cost of a collapse of faith in a currency, and the fact that stabilisation is an essential precondition for market reforms to have a chance.

Paul Seabright,
faculty of economics and politics,
University of Cambridge,
Cambridge CB3 9DD, UK

No evidence that market for scientists is shrinking in UK

From Prof. Robert May.

Sir, Professor Steve Fuller (Letters, November 21) regrets that, in writing of science as "The force behind a dramatic century" (November 18), I failed to acknowledge that the "rate of unemployment [among UK university students who graduate with science degrees] is close to twice" the national rate of unemployment.

It is true that in science and *engineering, as in most other* disciplines, the percentage of graduates believed unemployed just six months after qualifying has been relatively high. Specifically, the UK "all subjects" average for such six-months-out unemployment in 1993 was 12 per cent, with the figures in the sciences ranging from 5 per cent (in subjects allied to medicine) to 14 per cent (in the physical sciences, mathematics and computing). Prof Fuller presumably had in mind a comparison of these figures with the overall UK unemployment rate of 9.8 per cent in 1993.

But such a comparison is, I *think, highly misleading. The* broader and more accurate picture is that, over time, people with a higher education qualification in science and engineering are just as employable, and indeed more so, than those with a higher education qualification in any subject. Specifically, the percentage unemployed among those with science and engineering qualifications was 3.9 in the spring 1994 Labour Force Survey, compared with 4.5 per cent among all those with higher education qualifications. A similar picture emerges from 1991 census data and from a survey of the Employment *Department in the 1980s.*

In short, Prof Fuller's strident claim that the labour market for qualified scientists and engineers is shrinking is not supported by the evidence, and serves only to perpetuate a damaging myth about their employability. Certainly, I would like to see more science and engineering jobs generated by research and industry working successfully in partnership. But scientists and engineers have a valuable role to play in many other occupations in industry, commerce and the public sector. It is clear there is some way to go before that is widely understood and appreciated.

Robert M. May,
chief scientific adviser,
Office of Science and Technology,
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London SW1H 9ST, UK

Mourners for the Soviet empire

The central Asian republic of Tajikistan regrets the loss of peace and of economic assistance, writes Gillian Tett

It is now almost four years since the creation of the Commonwealth of Independent States marked the final demise of the Soviet Union, and brought independence to the central Asian peoples conquered by Russia in the 19th century.

Many Russians mourn the end of Moscow's empire, which had conferred a superpower status on their country. But some of those that most regret the break-up of the Soviet Union can be found 2,500km from Moscow, in the poor and mountainous republic of Tajikistan.

The Tajik population is overwhelmingly Moslem, with language and culture *similar* to those of the Iranians and Afghans. They have little in common with Russia, apart from their recent history. But as part of the Soviet Union, Tajikistan received economic assistance and enjoyed peace.

Political independence has *left the country subject to the* military whims of Russia, economically bereft and politically divided. Many Tajiks, from peasants from politicians, increasingly say they would love to return to the Soviet Union – and point out that they never demanded independence in the first place.

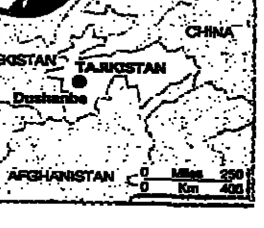
When the Soviet Union split up in 1991, Tajikistan, like most central Asian republics, had only a limited sense of *national identity* – it had not existed as a state until Stalin created it in the late 1920s. Most Tajiks considered themselves part of regional groups based around different mountain valleys, rather than as a nation. Like other central Asian republics in the former Soviet empire, there was little demand for independence before the collapse of communism.

Consequently the break-up of the Soviet Union pushed the country into something of a political vacuum. Within months, a civil war erupted between valley groups, with some supporting the former communist regime and others backing opposition democratic and Islamic parties.

Initially the Russian troops in the region remained neutral. But in late 1992, the former communists took control with the discreet backing of the Russian army. In fighting that left 50,000 dead, the opposition was pushed over the border into Afghanistan.

Since then, the Russian army has expanded its presence and now controls a force of some 25,000 Russians and Tajiks. They are largely based on the Afghan-Tajik border to repel opposition attacks, ostensibly there as CIS border guards and "peacekeepers".

The Russians have suffered casualties: two dozen officers have been killed this year. But the army generals insist they have no intention of abandoning their strategic toehold in the region. They claim that a retreat would result in a flood



of drugs, Islamic fundamentalists and guns sweeping into the Russian Federation.

However, Russian military intervention has not been matched by economic support. Tajikistan – almost uniquely among the former Soviet republics – wanted to remain in the Russian rouble zone. Tajik leaders argued that the country was too poor and too small – with a population of only 5m, half that of Moscow – to support a new currency. But Russia refused to supply the republic with the necessary roubles.

At the beginning of the summer, therefore, the republic was forced to introduce its own currency – poignantly named the "Tajik rouble". It promptly slid in value.

However, conditions might improve. The International Monetary Fund has agreed a $22m package of support for the new currency, and western mining concerns are starting to invest in the region, which has deposits of gold and silver.

But the confusion over monetary union has exacerbated the republic's economic decline. Trade with Russia has collapsed and output fallen to 50 per cent of its Soviet Union level.

Nor has Moscow been prepared to use its influence to bring a decisive peace to the warring factions. Over the past 18 *months the government* has conducted United Nations-sponsored peace talks with the opposition. A compromise could probably be reached if the Russians exerted pressure on the Tajik government to make concessions – simply by threatening to withdraw its troops. However, talks remain almost paralysed amid a military stalemate: although the current Russian deployment is too big for the opposition to beat, it is also *too small* to destroy the opposition.

Some western diplomats believe that Russia is pursuing a deliberate policy of destabilisation, to keep the edges of its former empire too weak to threaten Moscow. Others say Russia's approach simply reflects splits in the government between hardline generals and more liberal diplomats.

Whichever is true, Tajikistan has been left floundering. The real tragedy of the colonial experience in Russia's former empire is that the Soviet collapse has probably hurt ex-colonies like Tajikistan far more than Russia itself.

هكذا من الاصل

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Monday November 27 1995

Breaking the Ulster impasse

On the eve of Mr Bill Clinton's visit to Belfast this week the British and Irish governments remain at odds over the next step in efforts to turn the present ceasefire in Northern Ireland into a durable political settlement. The failure of Mr John Major and Mr John Bruton to settle their differences threatens a considerable disappointment for the US president. Mr Clinton, a successful mediator in Bosnia and the Middle East, would like his visit to be the occasion for a significant advance towards all-party negotiations in the province.

The implications of the impasse, however, extend beyond the frustrated hopes of the president. Agreement between London and Dublin on a framework for political talks is a vital step on the still perilous road to a permanent peace in Northern Ireland.

Mr Major and Mr Bruton are agreed on the basic thrust of the so-called twin-track approach. Under this formula all parties in the province, including Sinn Féin, would join preparatory talks on a political settlement. Simultaneously, an independent body headed by Mr George Mitchell, an aide to Mr Clinton, would examine the question of the decommissioning of IRA and loyalist arms. The intention would be that by February or March of next year sufficient progress would have been made to allow full-scale constitutional negotiations between unionists and nationalists.

Standing in the way of a joint statement to this effect is a dispute over British, and unionist, insistence that the IRA must decommission at least a small part of its arsenal before Sinn Féin can be admitted to these latter negotiations. Under pressure from Sinn Féin, Mr Bruton wants this precondition dropped. Mr Major insists that without it, the unionist majority would boycott the planned talks.

It is not difficult to see how the two leaders could choose to circumvent this obstacle rather than to continue to bang their heads against it. Mr Major could accept that the issue is put on one side while the decommissioning body carries out its work and the preparatory talks get under way. If, and this is an important qualification, Sinn Féin then demonstrated in other ways an unshakeable commitment to peaceful means, the condition might later be modified or dropped.

Meanwhile, Mr Bruton could present this as an important opportunity for Sinn Féin to secure the place it seeks at the negotiating table. There would be risks but Mr Bruton's political authority has been enhanced by the endorsement at the weekend of his constitutional amendment to allow divorce in the Republic.

Last-minute efforts are being made to agree such a formula on decommissioning before Mr Clinton travels to Belfast on Thursday. If the attempt fails for lack of time, the two leaders should resolve to meet immediately after the president's departure.

For his part, Mr Clinton can best serve the cause of peace by intensifying the pressure on Sinn Féin. In a BBC television interview yesterday, Mr Gerry Adams, the Sinn Féin president, declared that it would be impossible for him to persuade the IRA to give up any arms in advance of a constitutional settlement. That may or may not be true, but there is nothing to stop the Sinn Féin leadership from declaring that it will never again prefer the Armalite to the ballot box.

South of Europe

A conference starting today in Barcelona will focus attention on some important issues between the EU and the countries on its southern border. It brings together ministers from the Union and its neighbours on the Islamic shore of the Mediterranean, from Turkey to Morocco.

After a period in which the Union's attention, when not directed at its own navel, was focused eastward, these countries share an interest in pointing it south. Recent terrorist attacks in France, stemming directly or indirectly from the civil war in Algeria, are an unwelcome reminder that southern Europe cannot ignore events on the other side of the Mediterranean. If "European Union" means anything, it must mean that northern Europe cannot ignore them either.

Yet one should beware of false comparisons between the countries of the Middle East and those of central Europe. The southern states are Europe's neighbours, the eastern ones integral parts of Europe with a desire to become EU members. One does not have to be a racist or religious bigot to accept that. Only Turkey, with which the EU is to start an experimental customs union, can be considered a borderline case.

If any balance between south and east is to be struck, it must be between the Mediterranean and central European members of an enlarged EU. There might also be an analogy between the southern and eastern neighbours of that enlarged union – that is, between the Middle East and the Commonwealth of Independent States. The EU has a strong interest in the stability of both areas.

In the case of north Africa, south Europeans tend to stress the need for financial support, knowing that this would come mainly from northern Europe, while north Europeans stress the importance of market access, knowing that it is south European farmers who would suffer most from north African competition. The Barcelona conference will strike a kind of bargain, since at last summer's Cannes summit the EU agreed to spend nearly Ecu4.7bn ($6.2bn) in the region by the end of the decade plus the equivalent in soft loans from the European Investment Bank. This money should be spent cautiously. If public money were the solution to north Africa's problems, Algeria would not be in its present state.

What north Africa and the Levant need most is private investment, both foreign and domestic. Some progress has been made, particularly in Jordan, Morocco and Tunisia, towards creating investment-friendly conditions. The EU must encourage this by making both market access and financial assistance strictly conditional on a more liberal regime, including intra regional free trade.

Weak imitation

The Japanese finance ministry flattered the US last week with the news that it is to set up a US-style Resolution Trust Corporation to rescue the country's collapsing banks. The creation of a Japanese RTC might be taken to mean that the authorities had finally decided to emulate both sides of the US approach to its earlier financial-sector crises; not merely looser monetary policy, but the acceptance of large-scale public bail-outs. As ever, though, the imitation is half-hearted.

The Japanese were late in applying the first lesson from the US experience of the early 1990s: the curative power of a loose monetary policy in allowing banks to grow out of their debts. But the encouraging results for Japan's leading banks announced last week showed that this year's cuts in short-term interest rates are already having the desired effect.

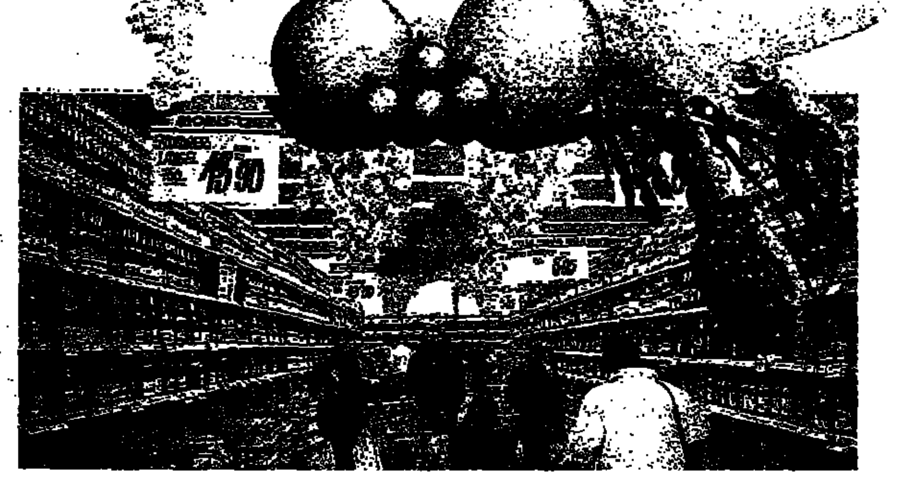
Japanese officials have found it even harder to swallow the second lesson from the US: the need for an orderly approach to disposal of insolvent institutions through the use of a tailor-made vehicle, in the savings and loans case, the RTC. For all its faults, and cumulative $200bn – or 3 per cent of GDP – cost to the public purse, the RTC was a success. It disposed of loans quickly and, given the scale, remarkably smoothly.

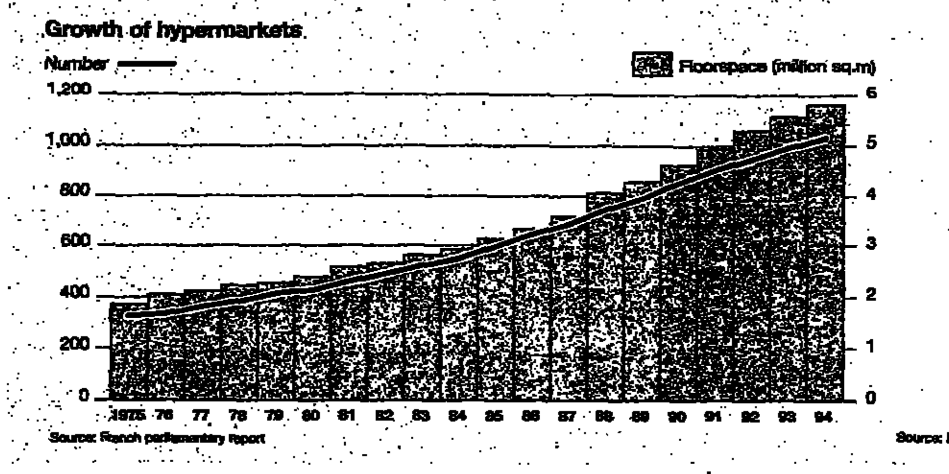
The total cost of resolving Japan's problems could be up to three times larger as a share of GDP. But the news that the country is to have its own RTC is encouraging. At the least, it might signal official recognition of the need for a co-ordinated, transparent approach, instead of the previous mix of concealment and forbearance. Yet the details remain undesirably vague, not least about how it should be funded.

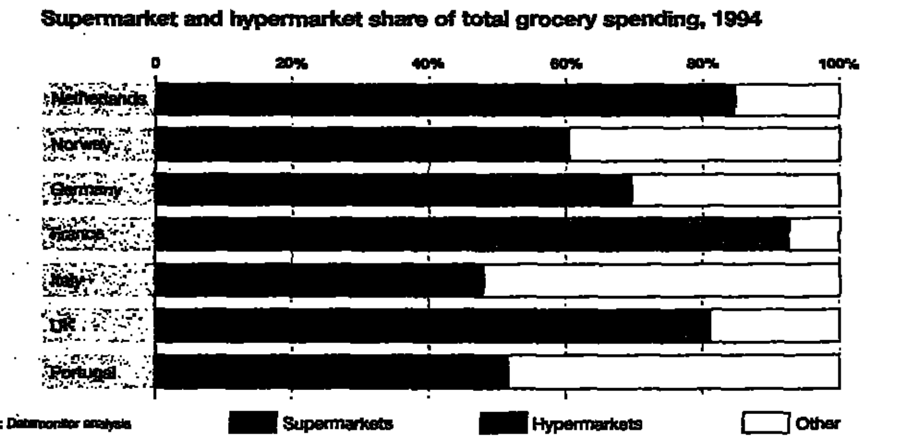
In the meantime, the finance ministry has an even more urgent mess to clean up in the housing loan corporations, which it has pledged to deal with by the end of the month. Losses in this sector are now estimated at more than Y7,000bn ($70bn). The banks have so far looked set to bear most of the cost, but officials may test public support for helping the banks, by launching a housing loan lifeboat.

The uncertainty over funding casts a shadow over the banking sector, which could undermine the good work being done by monetary policy. Large sums of public money will be needed. If it is left to the banks the underlying problem will not be resolved for years.

France: a nation of shopkeepers







France's new foreign legion

Restrictions on hypermarket developments are encouraging French retailers to shop around overseas, say **Neil Buckley** and **Andrew Jack**

The battle is on to save the patisseries, boulangeries and charcuteries of France from the giant hypermarkets and shopping centres that have marched across the French countryside over the past three decades.

Mr Alain Juppé, the French prime minister, will today announce the government's latest policy on the retailing sector. He is expected to unveil tight restrictions on hypermarket developments, while allowing some renovation and the opening of other types of large-scale retail project.

Such an announcement would disappoint big French retailers and encourage them to accelerate international expansion.

"Today, in France, it is impossible for us to open new hypermarkets," says Mr Christophe Dubrulle, chief executive of Auchan hypermarkets, one of the country's largest chains. "But, paradoxically, perhaps that is an opportunity. It means we are forced to go international."

A moratorium would be particularly galling for large retailers, since they had been hoping for a more liberal line on out-of-town projects from the new government.

Many initially expected Mr Juppé to end the temporary freeze on large retail planning consents imposed by Mr Edouard Balladur, the former prime minister, in April 1993. The freeze has already slowed to a trickle the once explosive growth in large stores. This saw 3.9m sq m of hypermarket space alone built between 1975 and 1993. The severity of the freeze makes planning restrictions on out-of-town development imposed across the Channel by the UK government look half-hearted.

While the debate over out-of-town development in the UK and countries such as Germany with tight planning constraints has centred on preserving town centres, in France the debate ranges more widely.

French hypermarket operators are accused not just of destroying high streets. They are attacked for blotting the landscape with large concrete and steel boxes – and indeed, the proliferation of retail parks complete with neon signs and drive-in McDonald's restaurants has left parts of the Gallic countryside resembling the US Midwest.

At the same time, big grocery groups are charged with creating unemployment by killing off small shops, farmers and manufacturers through cut-throat terms of trade.

Mr Pierre Seassari, president of Assemblée Permanente des Chambres de Métiers, a body representing artisans and small business, says large retailers have "destabilised" small traders by creating huge purchasing centres which allow them to charge very low prices.

"The power is no longer with producers but with retailers," he says. He calls for an even tougher clampdown on new large-scale retail development, plus firmer policing of prices, to prevent them being set at unrealistically low levels.

An added twist to the debate is that some French grocery retailers have been under investigation for alleged corruption. Directors of three big French retailers were recently questioned by police over allegations that companies made political contributions in the 1980s in return for planning consents.

In their defence, hypermarket and supermarket operators say they support farmers and manufacturers, and that curtailing retail development will damage the economy.

Mr Daniel Bernard, chief executive of Carrefour, France's biggest grocery retailer, says his group is "partner" to industry, agriculture, and 2,500 small and medium-sized businesses. He says it sells many local specialities that would otherwise have died out.

"Modern retailers are a big engine for the total chain of consumer goods," he says. "We are very competitive, we take only a small profit on the goods, so we can distribute more buying power to the nation – which means there is more [demand] for products."

Mr Bernard argues that his company cannot be held responsible for the trend towards urbanisation that has been apparent in France since the second world war. This has resulted in the depopulation of rural areas and the inevitable closure of services, including shops, as their customer base has declined.

He believes many of the small shops that were forced to close when hypermarket development began in the 1960s provided poor service. Those remaining, he says, are stronger and more efficient.

Some observers feel that large French retail groups, many of them until recently family-owned, need to brush up on their public relations. According to Mrs Denise Larking Coste, executive vice-president of CIES, the Paris-based "Food Business Forum" whose members include retailers and food manufacturers: "One problem for the retail industry is that it has not got its message across about how much [large] retailers have done for the economy," she says.

Property developers, meanwhile, argue that shopping centres should not be lumped together with hypermarkets in the present debate. "When we build a regional [shopping] centre we always give some priority to local retailers," says Mr Léon Bressler, chairman of Unibail, one of France's largest shopping centre developers. "We are not destroying them but creating opportunities for them."

The most obvious way for French retail groups to respond to a moratorium on out-of-town hypermarkets would be to make older stores work harder by improving product ranges and store environments to attract more customers. Some may also consider extending these existing outlets, although that would require planning permission.

Another option would be to acquire competing stores or chains. Indeed, a series of takeovers has already altered the structure of the industry. Carrefour acquired two chains in financial difficulties – Montlaur and Euromarché – in 1991, while Casino, another large grocery retailer, bought the ailing Rallye group the following year.

Analysts now suggest that Casino could itself become a takeover target. So could Cora, a medium-sized grocery retailer. Many believe the big chains might also target the 40 per cent of French supermarkets and hypermarkets that are independently-owned. This is an unusually high proportion by western European standards.

"We will buy more stores from other people than we do now," says Mr Christian Toulouse, chief executive of Docks de France, operator of Mammouth hypermarkets and Atac supermarkets. "It will be expensive, but we will do it."

The final, and potentially most exciting, avenue for the large retail groups is international expansion.

French grocery groups are already among the most international in the world – three of the top five retailers in neighbouring Spain are French-owned – and they plan to spread their tentacles further. Carrefour, after 20 years of international development, passed a landmark in August, for the first time operating more hypermarkets outside France (117) than in its home country (116).

Carrefour has not been successful in every overseas market: its attempts to branch out into the US and UK in the 1980s ended in failure. However, its Pryca subsidiary is Spain's second-biggest retailer. The group also has stores in Italy, Portugal, Turkey, Argentina, Brazil, Mexico, Malaysia, Thailand, Taiwan, and, since last month, in China. It expects to increase the proportion of turnover coming from outside France from 40 per cent to well over half by 2000.

Promodès, France's second-biggest grocery retailer, is Spain's third-largest retailer, through its Continental subsidiary. It also has stores in Germany, Greece, Italy, Turkey, Morocco and Mauritius. Auchan is the number four retailer in Spain, with 21 Alcampo hypermarkets. It has stores in Italy and Portugal and plans to open in Poland, Hungary and Mexico.

Even a medium-sized retailer like Comptoirs Modernes, a supermarket group, talks confidently of moving into Brazil and Argentina.

French grocery groups believe they have created flexible store formats that can easily be adapted to overseas markets and filled with locally-produced goods. Such an approach would contrast with that adopted by UK retailers, such as Marks and Spencer, J. Sainsbury and Tesco, whose stores rely heavily on own-label products.

Although still interested in acquisitions in established markets, French retailers believe the biggest opportunities may lie in less mature markets such as eastern Europe, South America and Asia. "We can start with a developing country at the bottom of the [economic] curve, and grow with the country to the top of the curve," says Mr Bernard.

Carrefour, he adds, will open stores in "any country where people like good food – especially fresh food, as the French do".

While hypermarkets may be accused of killing off high streets, Mr Bernard would claim to be exporting the spirit of the patisserie and boulangerie to the rest of the world.

· OBSERVER ·

Derivatives are infectious

■ On the day that Nick Leeson, trailing a pack of media scandal hounds, was charged in Singapore with the misdeeds that broke Barings, another banker cut down by the derivatives game was retreating ignominiously into retirement on the other side of the world.

Seppo Lindblom, chairman and chief executive of Finland's Postipankki, announced on Friday that he was bringing forward the date of his resignation by a month to January 1. His decision apparently derives from his having had enough of the media criticism that has rained down on him since it was revealed earlier in the year that the bank's New York office ran up losses of more than $100m in derivatives and other exotic securities trading.

"I have never thought of myself as an easily scared person," Lindblom said in a statement to employees and the press, adding that he will extend his recent sick leave up to his resignation date. He continued: "However, I have lately met with a treatment in public that strongly conflicts with my sense of justice and moral conception."

Sympathy for Lindblom, a former government minister, is not great in Finland. He was considered to have survived four previous successive years of losses at the state-owned bank – prompted by crippling credit losses – only because of his political connections.

When the derivatives losses were revealed he at first tried to hang on. But his explanation – that he did not know what had been going on in New York – hardly instilled confidence in his stewardship of the bank. He was still at it in his statement on Friday, protesting that what had happened "came as a total surprise to me".

Crustacean politics

■ Mahathir Mohamad, Malaysia's leader, makes no apologies for encouraging super rich businessmen in his country. Delegates at a weekend convention of his United Malays National Organisation – the country's dominant political party – expressed concern about a small group of business moguls with high-level political connections doing very well when it comes to obtaining government contracts. Nonsense, said the prime minister. Such people had to be encouraged in order to sustain Malaysia's high-speed growth, and they should get their reward: "We cannot give lobsters to everyone."

Attention seekers

■ Competition is breaking out in the arcane world of Swiss competitiveness analysts. Klaus Schwab's World Economic Forum and the International Institute for Management Development in Lausanne have decided to end their annual collaboration over the World Competitiveness Report, the ranking of international economies. The protagonists insist that "this decision in no way detracts from the good relations and mutual respect that the World Economic Forum and IMD have always enjoyed", just in case anyone thought otherwise.

Both institutions will now produce their own reports – the WEF concentrating on macroeconomic and geopolitical indicators and the IMD on microeconomic and management ones. The custody battle over the name of the existing report has clearly proved inconclusive, with the confusing result that the WEF's new baby will be called the Global Competitiveness Report and the IMD's is to be named the World Competitive Yearbook. Given that neither now has a track record, we can perhaps safely ignore both.

It's a tragedy

■ Observer loves the annual World Travel Market trade fair which recently ended at Earl's Court in London; it always produces such valiant attempts at the English language. This year's winner is from Welcome to Prague, the city's official guide book:

"Among the most beautiful what was written about love belongs tragedy Romeo and Julia by William Shakespeare which reliably addresses the audience already for 400 years. When actor and director Tomas Topfer arrived with the idea to perform this renaissance but always Shakespeare story and present it in the authentic renaissance setting of Prague Castle, he had no doubt about the success of his project. But neither him nor the art agency Folbos did not anticipate that his performance would gain so much of the audience favour. That is the reason why the immortal Shakespeare drama about romantic love of Venice lovers Romeo and Julia... appears in the programme of Prague cultural summer also this year... it looks like written by Shakespeare just for this place."

Very poor research

■ Full marks to the student activists at Paris Dauphine, one of France's better regarded business schools. They have expressed their solidarity with fellow students engaged in strikes and sit-ins around the country. Just one problem: the students' main gripes are under-funding and a distaste for competitive university entrance exams – and Paris Dauphine is well-known for having a highly selective entry system. Still – no point in letting facts get in the way of a bit of healthy militancy...

The Financial Times

100 years ago

The Italian Budget
The Budget speech of Baron Sonnino almost leads one to suppose that the finances of Italy have crossed the Rubicon which separates the land of deficits from the region of surpluses. The revenue of the country is weighed down by the military expenditure imposed upon it by the necessities of the Triple Alliance, its ambitious colonial policy in Africa swells the charges of the nation with very little hope of an immediate return, the banking system is still in process of regeneration, the currency difficulty has not been finally overcome, and the people are heavily taxed. In spite of these obstacles, the Finance Minister is able to show a paper surplus for the year 1895-96 of 1,270,000 lire.

50 years ago

Swiss trade outlook
Most of the arrangements made so far by the Swiss authorities must remain one-way affairs for a time. But they are prepared to pay this price in order to make a contribution to the revival of European trade. The arrangement with France gives that country a credit of 250,000,000 francs, half of which is to be used freely for purchases in Switzerland.

FINANCIAL TIMES
Monday November 27 1995

Government hints at minor modifications to plans

French unions to strike again on welfare reform

By David Buchan in Paris

French unions will tomorrow start a second wave of national strikes and protests against welfare reforms, which the government said over the weekend could be subject to minor modification.

Mr Alain Lamassoure, the government spokesman and budget minister, said that while "on the ambition, thrust and timetable of the [social security] reform the government was determined, on the means of applying it everything will be negotiated".

Lending impact to the anti-welfare reform protests has been *a separate strike by SNCF rail*-workers against planned cuts and productivity measures. Rail services were severely curtailed by the stoppage at the weekend.

The rail unions yesterday agreed to meet Mr Jean Bergougnoux, the president of the SNCF, to be briefed on SNCF's new five-year contract with the state. After the meeting, union leaders expressed disappointment and said they would recommend to members to pursue strike action.

Tomorrow's fresh round of strikes have been called by the Force Ouvrière (FO) union federation in protest *at the government's* proposed changes in the health insurance system.

Friday's strikes, which brought big demonstrations on to the streets of many provincial cities as well as Paris, were aimed at proposals to prolong public sector workers' pension contributions.

Mr Marc Blondel, leader of the FO, complained yesterday that the government should take its *eye off the financial markets and* start "looking at what was happening on the streets and satisfying the demands and needs of the people".

Yesterday only one in four mainline trains ran and for the first time the Paris-London Eurostar service was badly affected. The rail unions have been encouraged by the big union federations to keep their strike action going at least until today in order to keep up the momentum of anti-government protest.

The financial details of an *assistance plan are to be finalised* by Mr Alain Juppé, the prime minister, later this week, but the government has indicated that it is ready to make a generous initial gesture to help SNCF repay its enormous FFr175bn ($35.9bn) debt, provided that rail workers improve productivity.

In a newspaper interview yesterday, Mr Jean-Claude Trichet, the governor of the Bank of France, expressed confidence in *the government's strategy to cut* budget and welfare deficits, which he said had led the central bank to reduce interest rates three times in recent weeks.

"This fall is not artificial," Mr Trichet said. "It is founded on facts – a solid franc, low inflation and big trade surplus, the reduction of deficits. So I believe it is timely and durable".

Eurotunnel's new train of thought for shareholders

By Andrew Jack in Paris

Eurotunnel, the Anglo-French operator of the cross-Channel rail link, takes an important step forward in its investor relations strategy today with the first meeting in Paris of a new committee of shareholders.

The gathering is the work of Mr Maurice Le Maire, whose *appointment last month to the* board of the group was a ground-breaking move in the development of corporate governance in France.

It makes Eurotunnel only the second large company in France to have an individual shareholder as a board member, and one of about a dozen which have created committees in a growing trend to build stronger links with their investors.

Mr Patrick Ponsolle, the French joint chairman of Eurotunnel, said he has tried to combine the best of English and French aspects of corporate governance, and that the appoint*ment of Mr Le Maire reflects an* area in which he believes France is more advanced: communication with shareholders.

He cited in particular Air Liquide, the French chemicals group, which has run a shareholders' committee since 1986 and developed a good reputation for keeping its small investors in touch.

The aim of such committees – and related moves such as *regional shareholder meetings*, newsletters and phone enquiry services – is to help cultivate and sustain a loyal investor base.

"The problem is that in all countries institutional investors are well informed, but not individual shareholders," said Mr Ponsolle. "Shareholders' committees are not a substitute for the board, but they will help us improve the quality of information we provide."

For Eurotunnel, which has 721,000 shareholders – more than four-fifths are French – the *demand for action* was pressing in view of the tremendous decline in its share price, and *accusations that the board was* tilted towards the interests of bankers, not investors. In response, the company has gone further than most of its competitors. As well as setting up French and UK shareholders' committees, Mr Le Maire has been appointed as an observer, or *censeur*, to the group board, and his *approval as a full director* will be proposed at the next annual general meeting.

Until now, only Crédit Local de France, the banking group, has offered such a position, created in late 1993.

Mr Le Maire stressed that this broader role is how he sees his function on the board. "I am representative of the shareholders, but I am not there to represent shareholders," he stressed. "I will be a director like all the others."

Apart from two periods of military service during the 1950s, he spent his entire career with Total, the French petroleum company, becoming director of planning and budget before his retirement. But he was chosen because of his role as a shareholder – he *and his wife hold 60,000 Euro*tunnel shares between them.

Cubans prepare for revival of 'evil' taxes

Continued from Page 1

state shops anyway," said one self-employed artist who sells his paintings to tourists.

A general tax on national state salaries, almost all of which are paid in pesos, is not being considered for the moment because of *public sensitivity over low salary* levels and the reduced buying power of the peso compared with hard currencies. But the possibility of a future tax on all income is contained in a framework Tax Law approved by Cuba's National Assembly in August 1994. Its implementation is being staggered to cope with expected public resistance to new taxes.

Both Cuban and foreign compa*nies are already paying corporate* and payroll taxes and other levies have been introduced, such as an airport fee and taxes on documents and public advertisements. But the issue of personal taxes is by far the most sensitive.

"Our biggest problem is the lack of a tax culture," Mr Rafael Gonzalez, Cuba's deputy finance minister, said last week. "Our society finds it difficult to under*stand why it has to* pay taxes. It sees them like some kind of fiction of the past."

UK stock market planned for the Internet

By James Harding and Richard Wolffe in London

A shares market, which is intended to rival the London Stock Exchange, will be set up on the Internet computer network if plans by Electronic Share Information are accepted by the Securities and Investments Board, the chief City of London regulator.

The SIB said yesterday it had no objection in principle to an Internet exchange: "In the old days it used to be carrier pigeons, *then the telegraph . . . Now it is* computers that talk to each other." An Internet exchange would gain approval "provided it satisfied the statutory criteria, including investor protection".

ESI is the Cambridge-based technology company which won the right to publish online share information earlier this year in the face of opposition from the London Stock Exchange.

Mr Hermann Hauser, founding *director of ESI, says the company* has already had preliminary discussions with the SIB and was given no reason not to proceed with its application to become a Recognised Investment Exchange. The application will be made early next year.

If the company wins RIE status, it will establish a third UK stock exchange to rival the London Stock Exchange and Tradepoint, an order-driven electronic exchange that opened in September.

The ESI exchange would ini*tially encourage smaller compa*nies, such as computer and biotechnology businesses, to seek a listing. But it would also be able to deal in shares of large companies already quoted on the London Stock Exchange. ESI plans to offer a lower cost route to raising capital than established exchanges, in direct competition with the stock exchange's new junior market, Aim.

Individual investors would be able to buy and sell directly, rather than going through brokers, at only minimal brokerage costs. Security systems would be similar to those operating on its current Internet service.

ESI's proposals follow its public row with the stock exchange in September over its share-deal*ing operation run jointly with* Sharelink, the discount broker. The row flared when the stock exchange stopped transmission of live prices to the service on the day before its public launch.

ESI wrote to the Office of Fair Trading requesting an investigation into alleged anticompetitive activity by the exchange. The exchange responded to public criticism by serving a defamation writ on Mr David Jones, chief executive of Sharelink.

Exchange weighs radical *shake-up*, Page 6
Media futures, Page 11
World stocks, Page 24

THE LEX COLUMN

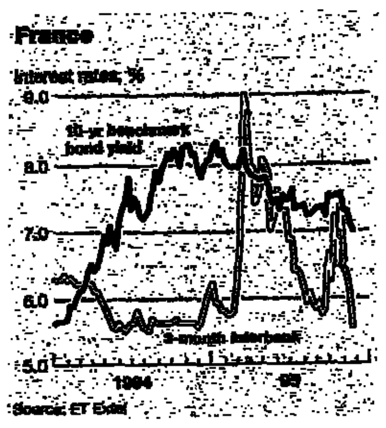
French fancies

The French government is right to tackle the country's budget deficit, but the combination of spending cuts and tax rises could push the economy into recession. Figures on economic growth in the third quarter, due out this week, are expected to show a virtually *flat* economy. There is every chance that the economy will shrink in the fourth quarter. The prospect of tax *increases and the fear of unemploy*ment have caused consumer spending to collapse. Industrial production is also falling as a result of the measures.

For bond investors, all this may be good news. Given the low level of inflation, the Bank of France would be justified in cutting rates drastically – particularly as the Germans are likely to ease monetary policy. The danger is that the French authorities will baulk at taking the necessary action on rates *because of their fears for* the French franc. In fact, a weaker French franc would do more good than harm; but the political store set by France's *franc fort* policy makes it hard to abandon.

There is still some downside for bonds. Without the stimulus of lower interest rates, a stagnant economy would not produce the level of growth assumed in the budget package. This could scupper the whole plan, which would mean that France would not *meet Maastricht treaty criteria for the* first wave of European monetary union.

Still, the rapidity of recent rate cuts bodes well. Fear of economic recession and social unrest may at last make the *franc fort* an unaffordable luxury.



British Gas

If the government does not come to the rescue of British Gas, what options does the company have? To persuade producers to renegotiate its uneconomic gas contracts, it has to find some effective ammunition.

*The company's armoury is not com*pletely empty. One threat, hinted at in letters to producers last week, would be to declare the contracts unlawful, stop paying and confront the producers in court.

The prospect of long litigation could certainly give producers an incentive to renegotiate. But the threat would still look pretty weak. Reneging on the contracts would probably mean a further cut to the company's credit rating; it would also devastate the share price while litigation trundled on. Moreover, it is far from clear that the company would have much claim in law.

There is an alternative option. The Gas Act requires British Gas to shift *its trading* business into a separate subsidiary, together with all its contracts. Unless the government forces it to, it does not have to provide the subsidiary with a guarantee. The subsidiary could then be demerged, in effect capping the liabilities shareholders would face and leaving a weaker business for producers to negotiate with.

The group's *mysterious statement* that it was looking at ways of optimising value for shareholders could be *hinting at such* an option. The problem is that the subsidiary would still have to be properly capitalised. Under the Act, it is up to the government to decide what this means. This may be why British Gas cares so much that ministers are on its side.

Forte/Granada

Valuing hotels is almost as tricky as running them. But investors trying to decide on the merits of Granada's £3.3bn ($5.21bn) offer for Forte will need to make a stab at it.

Despite the recent recovery in room *rates and occupancy levels, hotels* provide a poor return on assets. Forte achieved a mere 4 per cent return in its last financial year. Even factoring in a substantial uplift in profits over the next two years, analysts do not expect Forte's hotel division to return more than 10 per cent in 1997. That makes Granada's bid, at a 25 per cent premium to Forte's net assets, look more than generous.

It ignores, however, the high prices attracted by "trophy" hotels. The recent £75m sale of the Ritz equated to £575,000 a room. Valuing Forte's 17 luxury hotels on the same basis sug*gests a figure of over* £2bn, although they account for less than 5 per cent of its total hotel rooms. But deals at such *stratospheric* levels are few and far between. That makes it hard for Forte to argue that luxury hotels deserve such elevated valuations. It also creates a problem for Granada if it is hoping for a quick sale of the luxury hotels to recoup some of its outlay.

Another approach is to value each part of Forte's portfolio on a multiple of forecast operating profits, ranging from 20 times for the trophy hotels to 10 times for Travelodges and 13 times for restaurants. *After subtracting debt* and tax this equates, very roughly, to 380p a share – 15 per cent above the *current bid*.

That is within Granada's reach. But if Forte can pull off a high-priced disposal as part of its defence, it could yet upset the mathematics.

United News & Media

The Express newspapers seem to be more popular with financiers than with readers. While circulation has been flagging, their owner United News & Media has found itself besieged by a stream of willing buyers this year. The latest is Mr Andrew Neil, the former Sunday Times editor.

Assuming that his backers can raise the required £300m, a sale would bring advantages to United. Rising newsprint costs and a squeeze in the mid-market have hit the profitability of the Express titles. This year they are expected to make around £20m, down from £30m, before the exceptional costs of 200 redundancies.

At the mooted sale price, a disposal would give a modest boost to earnings per share. It would also eliminate United's borrowings, allowing faster expansion in magazines, exhibitions and media services. All these activities offer more rapid growth and better *returns than national newspapers*. The group has fallen behind rivals in these areas, partly because of fire-fighting at the Express.

Even so, a sale looks extremely unlikely. Chairman Lord Stevens has personal pride invested in the Express titles and last week's editorial appointments show him willing to back their revival.

With the newspaper price war abating he may be right to hang on. But shareholders should demand a clear explanation of how the Express fits in with the group's strategy.

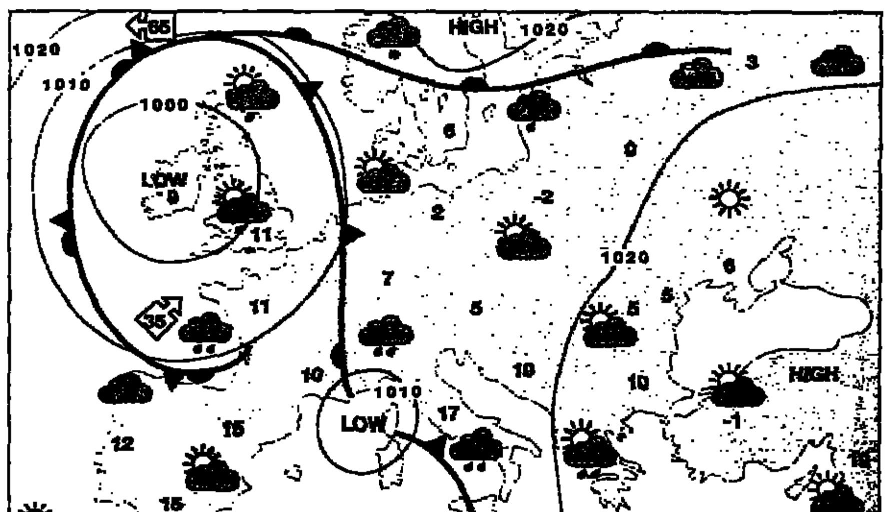
FT WEATHER GUIDE

Europe today

The Atlantic coast of Europe will continue to be mild. Rain will persist along the French Riviera. Showers will affect the British Isles and western France. Spain and *Portugal will have showers in the north and* west. Cloud will build in Holland and Belgium, with some rain and temperatures around 9C. Italy and the western Balkans will have showers. North-western Italy and the southern Alps will have heavy upslope rains and snow. Central Europe will remain cold and partially sunny. Persistent fog in southern Germany will dissipate during the day. The eastern Mediterranean will be *calm and rather mild. Scandinavia will be* frosty and sunny, except for some snow showers in the south.

Five-day forecast

Low pressure over central Europe will cause some rain in the Balkans and central Europe. It will slowly weaken. High pressure will build across southern Scandinavia, where wintry conditions will set in as cold air is pushed south-east into central Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	10	Caracas	fair	31	Faro	cloudy	17	Madrid	cloudy	9	Rangoon	sun	30
	Celsius		Belfast	shower	7	Cardiff	shower	10	Frankfurt	fair	6	Majorca	cloudy	16	Reykjavik	fair	-1
Abu Dhabi	sun	27	Belgrade	fair	10	Casablanca	fair	18	Geneva	shower	7	Malta	fair	20	Rio	fair	29
Accra	fair	32	Berlin	fair	2	Chicago	rain	7	Gibraltar	cloudy	16	Manchester	shower	9	Rome	shower	16
Algiers	cloudy	18	Bermuda	fair	22	Cologne	drzzl	9	Glasgow	shower	9	Manila	shower	30	S. Frsco	fair	18
Amsterdam	drzzl	9	Bogota	fair	20	Dakar	fair	30	Hamburg	sun	6	Melbourne	fair	21	Seoul	sun	7
Athens	cloudy	15	Bombay	sun	34	Dallas	fair	19	Helsinki	snow	-1	Mexico City	sun	12	Singapore	shower	30
Atlanta	sun	17	Brussels	drzzl	9	Delhi	sun	26	Hong Kong	sun	22	Miami	sun	28	Stockholm	shower	3
B. Aires	fair	21	Budapest	cloudy	6	Dubai	sun	27	Honolulu	shower	28	Milan	cloudy	7	Strasbourg	drzzl	6
B'ham	shower	9	C'hagen	fair	6	Dublin	shower	8	Istanbul	sun	11	Montreal	snow	-2	Sydney	fair	30
Bangkok	shower	30	Cairo	sun	21	Dubrovnik	shower	15	Jakarta	shower	31	Moscow	snow	1	Tangier	fair	16
Barcelona	fair	14	Cape Town	fair	24	Edinburgh	shower	9	Jersey	shower	10	Munich	sun	4	Tel Aviv	sun	21
									Karachi	sun	31	Nairobi	cloudy	26	Tokyo	fair	13
									Kuwait	sun	20	Naples	shower	17	Toronto	rain	7
									L. Angeles	sun	23	Nassau	shower	27	Vancouver	rain	8
									Las Palmas	shower	23	New York	fair	15	Venice	shower	10
									Lima	fair	23	Nice	shower	15	Vienna	fair	6
									Lisbon	shower	14	Nicosia	sun	14	Warsaw	fair	-2
									London	shower	11	Oslo	shower	3	Washington	fair	18
									Lux.bourg	drzzl	7	Paris	cloudy	10	Wellington	rain	13
									Lyon	shower	7	Perth	shower	21	Winnipeg	fair	-12
									Madeira	shower	19	Prague	fair	0	Zurich	cloudy	5

هكذا من الاصل

هكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS

Monday November 27 1995

MARKETS THIS WEEK

MARTIN DICKSON:
GLOBAL INVESTOR
The question tantalising capital markets this week is whether the Bundesbank will cut the German discount rate at its council meeting on Thursday. And behind that question lies a larger one: whether the slowdown in European economic recovery is a mere technical pause, or something more ominous. **Page 20**

MARTIN WOLF:
ECONOMIC EYE
It is a truth universally acknowledged that a disconsolate electorate in possession of an unpopular government must be in want of tax cuts. Mr Kenneth Clarke, the chancellor, is expected to provide these on Tuesday. But his successor is quite likely to want to take the money back. **Page 20**

BONDS:
International investors tend to rank Swedish and Finnish government bonds among the riskier class of European assets – but the past few months provide grounds for a change of view. **Page 22**

EQUITIES:
Recent signals of what tomorrow's Budget will bring have pointed to tax cuts, balanced with public spending reductions; but a "give-away" could frighten institutional investors. **Page 23**

EMERGING MARKETS:
Brokers in Asia have learned the hard way that the records notched up by the Dow Jones index this year were keeping money in the US. **Page 23**

CURRENCIES:
Some recent surveys have found that companies, investors and interbank participants are slightly underweight in sterling. This would suggest that UK assets and sterling may well attract investor support if the Budget is well received. **Page 23**

COMMODITIES:
Delegates to the Association of Coffee Producing Countries' meeting in Bali today and tomorrow face a daunting task. **Page 20**

INTERNATIONAL COMPANIES:
Skanska, Sweden's biggest construction group, is confident of a double coup today when contracts worth about $1bn are announced for two bridges on the first fixed road and rail link between Sweden and Denmark. **Page 19**

UK COMPANIES:
Mr Hugh Astor, chairman of the Council of Forte, which safeguards Forte trust shares and has the power to block the £3.3bn ($5.2bn) hostile bid launched last week by Granada, the TV and leisure group, said that in a dispute between the Forte board and its shareholders, the council "would probably stand on the sidelines". **Page 18**

STATISTICS

Kvaerner primes hostile $592m bid for Amec

By Andrew Taylor in London and Hugh Carnegy in Stockholm

Kvaerner, the Norwegian shipping and engineering group, is today expected to launch a £375m ($592m) hostile takeover bid for Amec, the UK construction group which last week launched a bid for Alfred McAlpine, its British competitor.

It believes that Amec's rushed-out offer for McAlpine has left it with little option but to pursue a full-scale bid immediately. However, it would prefer not to have to fight a hostile takeover battle – something Scandinavian companies tend to avoid.

Mr Erik Tonseth, Kvaerner chief executive, may first seek another meeting with Sir Alan Cockshaw, the chairman of Amec, to press his case that the two companies have much to offer each other.

Kvaerner said yesterday it was considering its options. However, a full-scale bid seems to be the most likely outcome and this is expected to be launched today.

First indications of Kvaener's likely bid emerged last Thursday when the company launched a dawn raid on Amec which increased its stake from 2 per cent to 12 per cent.

Within hours, Amec had launched an all-share offer for McAlpine which valued it at £133m. The Norwegian group has pledged to pay no more than the 100p a share which it offered during Thursday's dawn raid and which valued Amec's ordinary shares at £203m. An offer for Amec's preference shares, yielding about 9 per cent, is likely to be in the form of a similar yielding instrument worth about £172m.

Mr Erik Tonseth, Kvaerner's chief executive, said on Friday he had been surprised, puzzled and embarrassed by Amec's move.

He said the share offer for McAlpine implied a value of Amec of 60p-70p compared with the 100p a share paid by Kvaerner. Amec is offering two of its shares for each McAlpine share.

McAlpine, which had been involved in tentative discussions about a possible merger with Amec, was taken aback by the move. It said it would not respond until the outcome of discussions between Kvaerner and Amec were known.

Amec's defence against an offer from Kvaerner will be that 100p a share does not reflect the true value of the expected recovery in Amecs' profits following the completion of problem contracts and the winning of new profitable work in Asia.

Sir Alan Cockshaw was in Tokyo at the weekend as part of the company's drive to win more work in the region.

Amec also said a merger with McAlpine would represent further rationalisation of the hard-pressed UK construction sector following the recent asset swap between Wimpey and Tarmac.

Kvaerner sees Amec's offshore operations as an opportunity to help its oil and gas installation business to achieve its aim of expanding internationally beyond its present base in the Norwegian North Sea sector, establishing a divisional headquarters in London.

Amec's offshore operations include heavy involvement in the British sector of the North Sea.

Names in the news, Page 7

Group feels pressure in chemicals and building materials arms

Hanson poised to hold pay-out after downturn

By David Wighton in London

Hanson, the Anglo-US conglomerate, is expected to hold its dividend when it announces annual profits on Thursday.

It is thought that the group, which is chaired by Lord Hanson, will not increase the payment to shareholders because of a recent downturn in trading at its Quantum Chemicals subsidiary and its building materials companies.

Mr Derek Bonham, Hanson's chief executive, had signalled that the board would consider the level of its quarterly dividend at the year end. Some analysts have been predicting an increase in the rate, which has been held for six quarters. But most believe that an increase would do little to revive Hanson's share price, which has badly underperformed this year. On an unchanged dividend, the shares already yield 7.9 per cent.

Hanson's short-term prospects have been hit by a recent downturn in the price of Quantum's main products, ethylene and polyethylene. Although the industry believes that this is a temporary adjustment some analysts, particularly those on Wall Street, argue that the cycle has peaked.

In the UK, Hanson's building materials companies have been affected by the marked slowdown in activity since the summer.

Brick demand has fallen and ARC, its large aggregates business, is threatened by the government squeeze on the roads programme. Meanwhile, in the US, where Hanson is a large mine owner, coal prices have continued to slide.

Eastern Group the regional electricity company (rec) acquired by Hanson in September for £2.5bn ($3.9bn) suffered a potential blow last week when bids by National Power and PowerGen, the UK's two largest power generation companies, for two other recs were referred to the Monopolies and Mergers Commission.

The MMC will examine whether combining large generators with big electricity suppliers would be against the public interest.

Eastern has been hoping to pursue such a strategy. Two weeks ago it signed a deal, subject to clearance, to lease two power stations from PowerGen and is among the final bidders in an auction for three National Power plants. National Power said last week it was concerned whether the proposed sale could be completed as anticipated.

The Eastern acquisition will have taken Hanson's gearing to more than 100 per cent but the company will repeat its commitment to bring down debt, partly by disposals.

Among the candidates for sale are Suburban Propane, the US gas distributor acquired with Quantum, and Cavenham Forest Industries. Annual profits are expected to show strong underlying growth although, after exceptional items, the figure is likely to show little change from the previous year's £1.35bn.

Lord Hanson: turning his back on a dividend increase

Fund managers lift investment in European bonds

By Richard Lapper in London

International bond fund managers have stepped up their investments in European bond markets over the last month – amid increasing signs of European economic slowdown and growing expectations of interest rate cuts.

More than 90 per cent of international fund managers interviewed in a survey published today consider themselves either neutral or overweight in the amount of funds they allocate to "core" European markets such as Germany, Austria and the Netherlands, compared with 75 per cent in equivalent research conducted a month ago.

The survey indicates investors are buying more bonds which have a longer maturity, typically popular at times of declining inflationary expectations.

The survey, by Lehman Brothers, the US investment bank, shows that 47 fund managers interviewed are reducing the amounts they keep in cash.

Mr Mark Fox, chief European strategist at Lehman Brothers, said the survey, published monthly, showed investors "clearly expect interest rates to come down quickly all across Europe. There is not much room for investors to be more positive about European bonds than they are now".

Finland, Denmark, France and Belgium have all seen important short-term rates trimmed in the last fortnight, following a succession of data showing economic slowdown in a number of countries. There are expectations that the Bundesbank will reduce Germany's discount rate from its current level of 3.5 per cent to 3 per cent within the next four months and possibly before the end of this year.

The survey shows Denmark is the most popular market after Germany, Netherlands and Austria. In Europe, Italy was the main exception with the number of respondents either neutral or overweight falling from 66 per cent to 59 per cent.

A majority of the investors surveyed are still underweight in Japan, although those funds either neutral or overweight in Japan last month increased from 20 per cent to 28 per cent. The numbers neutral or overweight in the US market fell from 75 per cent to 59 per cent, although most respondents are still either neutral or bullish about the prospects for the dollar.

Mr Fox says the fixed income investors surveyed manage funds of about $155bn, or more than 10 per cent of international capital invested in government bond markets according to Lehman Brothers.

Bond markets have performed well this month with yields of both long and short-dated paper falling. The yields on German, UK, French and Italian 10-year bonds have all fallen by between a quarter and about half a percentage point in the last four weeks, outperforming both the US and Japanese markets.

"The economic numbers are coming in weaker and weaker every day," says Mr Stuart Thomson, chief international economist at Nikko Europe.

"It is only a matter of time before growth forecasts are reduced."

Scandinavian bonds, Page 22

Spanish hotel chain considers flotation

By Antonia Sharpe in London

Grupo Sol Meliá, Spain's biggest hotel company and the third-largest hotel chain in Europe, is considering a stock market flotation to finance development.

The company, owned by its founder Mr Gabriel Escarrer, a Majorcan hotelier in his mid-50s, has asked eight international investment banks for views on how to prepare for a flotation.

Goldman Sachs, Morgan Stanley, SBC Warburg and UBS are believed to be among the banks pitching for the mandate.

Grupo Sol confirmed it was considering going public but said its plans were at an early stage. It said a final decision would not be taken before February.

Group turnover in 1994 was $1.1bn (£696m) and is expected to rise slightly to $1.2bn in 1995.

Bankers still have to put a valuation on Grupo Sol, and it is not clear how much of the equity will be put up for sale. However, they estimate the size of the offering will run into "hundreds of millions of dollars".

Founded in 1956, Grupo Sol's origins lie in the high-rise hotels of the Balearic and Canary Islands, which cater for the package holiday market.

Although about 65 per cent of its 182 hotels are in Spain, over the past decade the company has broadened its geographical spread and now manages hotels in 22 countries, ranging from Cuba to Vietnam.

Grupo Sol has sought to reduce its dependence on tourism in favour of business travel. It is also seeking to strengthen its position at the upper end of the hotel market.

If Grupo Sol does go public, it will be the first hotel company to be listed on the Madrid stock exchange.

Details, Page 23

This week: Company news

FOKKER

Shareholders to hear case for capital injection

The beleaguered Dutch aircraft maker will on Wednesday convene an extraordinary shareholders' meeting to explain why it needs a capital injection from the Dutch government and Daimler-Benz Aerospace (Dasa), its controlling shareholder.

Talks between the Dutch and the Germans have just started, making it unlikely that the company will be able to use the shareholders' meeting to report a final deal. Fokker is seeking more than Fl 2bn ($1.3bn) in fresh capital, but the Dutch government and Dasa are reluctant to commit themselves until the other has agreed to make a large contribution to the operation. Dasa bought its Fokker stake in 1993, with the Netherlands retaining a minority holding.

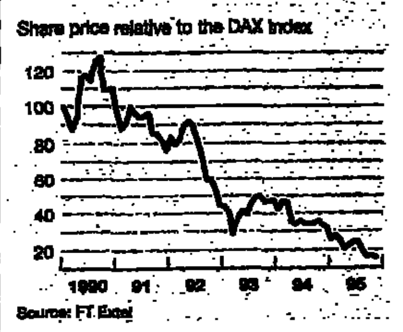
In an unusual departure in the Netherlands, the Dutch team is being led not by a civil servant but by Mr Floris Maljers, the former executive board chairman of Unilever, the Anglo-Dutch consumer products group. He reports to Mr Hans Wijers, the Dutch minister of economic affairs, who regards Dasa as bearing the main responsibility for safeguarding Fokker's future.

Shareholders will be asked to approve the appointment of Mr Robert van Oordt, executive board chairman of KNP BT, the paper and packaging group, as chairman of Fokker's supervisory board. Daimler-Benz will be seeking approval for the appointment to the Fokker supervisory board of two members to replace the two Daimler representatives who have left the German industrial group.

Fokker's problems took off in August when it reported record first-half losses of Fl 651m. The losses, caused mainly by the weakness of the dollar, virtually wiped out Fokker's shareholders' equity. It has been able to continue to operate because of guarantees provided by Dasa.

Fokker

Share price relative to the DAX index



Source: FT Extel

GRAND METROPOLITAN

Drinks arm takes fizz out of result

Higher food profits but lower drinks profits will mark Grand Metropolitan's results on Thursday, when it is expected to report pre-tax profits before exceptionals of about £910m ($1.4bn), down £35m from a year earlier.

Most of the shortfall in its IDV drinks arm will come from the loss of the Absolut vodka and Grand Marnier distribution rights. Underlying volumes at IDV were static and price increases were hard to achieve, a dilemma common to most drinks producers confronted by cautious consumers.

However, compensation for stagnant markets in Europe and North America comes from emerging markets, where IDV's volumes are growing at about 5 per cent a year.

Cost savings are flowing from restructuring programmes launched in each of the past two years. But the group has declared that money saved will be spent on sharply higher advertising and marketing of its food and drink brands around the world.

North American food will again be the bright spot, with operating profits rising to about £310m from £221m. European foods will continue their modest recovery with profits of about £20m, up £8m.

Exceptionals in these results should net out at a gain of about £18m.

A final dividend of 9.4p (8.8p) and earnings of 29.6p per share (32.2p) are forecast.

OTHER COMPANIES

New UBS chief steps into the limelight

Mr Mathis Cabiallavetta will make his first appearance before the press tommorrow since being named to succeed Mr Robert Studer as chief executive of Union Bank of Switzerland.

At the traditional autumn press conference in Zurich, Mr Cabiallavetta and other executives of Switzerland's largest bank will probably give a little more detail on the progress of business.

The bank said on November 1 that revenues showed "a positive development" in the third quarter and net income after nine months was "slightly up" on the same period of last year.

It expected "good" full-year results in spite of the impact of the stagnating Swiss economy on provisioning requirements.

This was somewhat brighter language than that accompanying the interim report in August, when net income was down 10.4 per cent to SFr832m ($756m) and uncertainty prevailed.

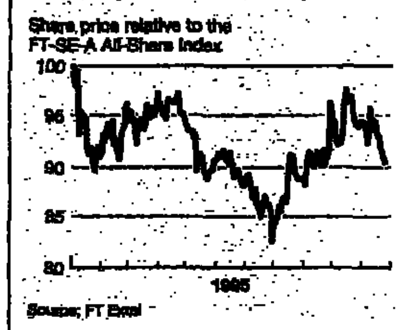
■ Nintendo: The Japanese video games maker, is expected to show higher recurring profits when it reports first-half results today.

However, the gains at the recurring profits level are expected to be the result of support from a favourable foreign exchange environment.

The difficulty the company faced in business terms will be better reflected in operating profits, which are expected to fall. During the period, Nintendo was faced with falling prices of its Super Famicon games machine, a lack of popular software and intense competition from rivals such as Sega and Sony.

Grand Metropolitan

Share price relative to the FT-SE-A All-Share Index



Source: FT Extel

■ Nedlloyd: The Dutch shipping and road-haulage group will be issuing a revised profit forecast for 1995 on Wednesday when it releases third-quarter results.

In October, the company retracted earlier predictions of stable results before extraordinary items and forecast a substantial decline, promising to give further details on November 29.

Analysts believe the third-quarter results before extraordinaries will also be lower, down from Fl 43m ($29m) a year earlier to about Fl 30m. Last month's profit warning has weighed on Nedlloyd's share price and hurt other cyclical stocks on the Amsterdam stock exchange.

Companies in this issue

Council of Forte set to stand on sidelines

By Scheherazade Daneshkhu and Raymond Snoddy

Mr Hugh Astor, chairman of the Council of Forte, which safeguards Forte trust shares, would not interfere in a dispute between the Forte board and investors over the Granada bid.

The council has the power to block the £3.3bn hostile bid launched last week and Mr Astor said that in any dispute "we would probably stand on the sidelines and let them decide between themselves".

Forte, the UK's largest hotels company has urged its shareholders to reject the bid from Granada, the TV and leisure company. The council holds less than 1 per cent of Forte's share capital but more than half of voting rights.

Mr Astor said the council has already had what he described as "a courtesy meeting with a Granada representative" and council members are due to meet this week. They will then meet the Forte board and Granada. Mr Gerry Robinson, chief executive of Granada, said yesterday that he would present Granada's record as "business builders" to the council and reject any talk of asset stripping.

Meanwhile, Sir Rocco Forte, chairman and chief executive, said yesterday he would be making changes to Forte's main board of directors but would not be rushed. Mr George Proctor retired as group commercial director this year and has become a non-executive. Mr Tito Chiandetti, 60, director of catering services, is expected to be the next to relinquish his position. Sir Charles Hardie, 85, a non-executive appointed 25 years ago will also retire soon.

Forte is also expected to announce in coming weeks the sale of the White Hart chain of hotels which has been for sale for some time. On Friday the group said the sale of £300m of assets was underway. These include White Hart, the budget Travelodge chain in the US and Lillywhites, the London sports store.

However, Mr Robinson was sceptical yesterday about the motivation behind the sale of White Hart and board room changes. "There is going to be an element of bouncing around there now in terms of coming out with things that will solve the problems," he said.

In response to Granada's claim that it could improve profitability at Forte, particularly in the Travelodge hotels, Mr Tony Monnickendam, group director for restaurants at Forte, said yesterday: "We bought three lodges from Granada in 1994. In the first year under our management, sales rose by almost 10 per cent by simplifying the pricing structure and improved brand management. Efficiency improvements almost doubled margins, resulting in a profit increase of almost 80 per cent."

Sir Rocco: would not be rushed by Granada into board changes

Study says C5 revenues will hit Carlton and Granada

By Raymond Snoddy

The new Channel 5 will take revenues of £99m in its first year on air and the competition it provokes will hit the television revenues of Carlton Communications and Granada hardest of all the other ITV companies.

The predictions come in a study on the impact of C5 – due to begin broadcasting on January 1 1997 – to be published by stockbroker Goldman Sachs later this week.

Goldman media analyst Mr Neil Blackley believes C5 will reduce overall ITV growth in 1997 and in subsequent years. C5, which will be available to three quarters of the UK population, will in 1997 wipe £16.1m off the profits of Carlton and £11.9m off Granada.

By contrast, MAI, owner of Meridian Broadcasting and Anglia Television, will have a £1.8m boost, and Pearson, owner of the Financial Times, will gain an extra £3m from the channel in that year. Both are investors in Channel 5 Broadcasting, the consortium awarded the licence by the Independent Television Commission.

The ITC decision is being challenged in a judicial review by Virgin Television.

Goldman believes C5 is likely to be a commercial success and that by 2002 it will command 4.5 per cent of total television viewing, or 7.2 per cent of commercial viewing.

C5, Goldman estimates, will break into profit in 2000, and make a pre-tax profit of £35m by 2002. "Assuming an initial equity investment of £100m, the mid-point valuation comes out at £195m," the stockbroker says.

Channel 5: Its Economic Viability and Differential Impact on ITV Companies. £55 from Sarah Peters on 0171 774 5810

Neil group to persevere with bid for Express

By Raymond Snoddy

Mr Andrew Neil, former editor of the Sunday Times, said yesterday he would persevere with a plan to buy Express Newspapers even though Lord Stevens, chairman of United News & Media, has insisted the papers are not for sale.

Mr Neil, Mr John Dux, former managing director of Mr Rupert Murdoch's News International, and a third unnamed marketing specialist, have raised up to £300m in principle from Morgan Grenfell Development Capital to try to buy the titles.

Arthur Andersen, the consultant, was also involved in drawing up the business plan to run the papers – the Daily Express, Sunday Express and Daily Star. The plan, involving a bid of £200m-£250m, with the rest of the money as working capital, ran up against the outright opposition of Lord Stevens.

The United chairman has made it clear he will only sell the papers if presented with an offer so large that he has no legal alternative.

As part of his plan to revive the Daily and Sunday Express, Lord Stevens last week appointed two new editors for the titles. Mr Richard Addis of the Daily Mail is to become editor of the Daily Express and Ms Susan Douglas moves from the Sunday Times to edit the Sunday Express.

Because of Lord Stevens' opposition to a sale, no formal offer was submitted for Express Newspapers. The plan now is to approach other senior United figures to see whether they agree with Lord Stevens or whether a majority could be found on the board in favour of a sale.

"This will flush things out one way or another," Mr Neil said yesterday. He confessed however that the idea was currently in a state of limbo because of Lord Stevens' opposition. "We have the money. We have the business plan. We have the people," insisted Mr Neil.

If the Neil consortium fails to buy the Express Group – and it seems unlikely it would succeed at the sort of price being mentioned – it may move on to another newspaper industry target.

A previous television project put together by Mr Neil and another group of former Murdoch executives – to create a new "black box" for subscription television has been "pigeon-holed" for the time being. The aim was to enable ITV companies and other traditional broadcasters to have their own technology to offer pay-television services in competition to those of Mr Murdoch.

PolyMASC goes for Aim listing

By Motoko Rich

PolyMASC Pharmaceuticals, the London-based biotechnology company, is to seek a listing on Aim next month.

The group, being spun out of a scientific research team at the Royal Free Hospital Medical School Molecular Cell Pathology Unit, plans to raise about £5m by a public offer of 25 per cent of the shares.

The float will be sponsored by Teather & Greenwood, which is also acting as broker.

PolyMASC is unusual in that it is going direct from an academic institution to the market without seeking venture capital investment. The only external investor in the group is the Royal Free Hospital Medical School, which will have a 26 per cent stake after the listing.

The group is focusing on treatments and diagnostics for cancer, blood diseases and genetic enzyme deficiencies.

Welsh may offer Swalec £840m

By Peggy Hollinger

Welsh Water is to present Swalec, the regional electricity company, with bid terms likely to value it between £800m and £840m.

The bid will be presented on Wednesday and the offer will exclude the value of Swalec's holding in the National Grid.

Grid shares began trading on the grey market last week in advance of the official listing in December. They closed at 216¼p on Friday, down 7¼p. Welsh Water's advisers estimate the Grid value at about 250p per share, including the benefits to tax free funds.

Welsh is determined to reach agreement on a bid with Swalec if possible. The electricity company, however, is thought to be strongly resistant to the idea of a takeover. Should the talks on Wednesday fail, Welsh is expected to launch a hostile bid.

The market has speculated that Welsh Water would have to offer £11 per share to get Swalec. However, it may have to go as high as £11.50 – or £9 a share excluding the Grid.

It is believed that an offer of £12 would be considered dangerously high by Welsh Water's investors, who have voiced strong concerns about the company's plans to buy Swalec. The group needs a strong backing of its shareholders, particularly as it plans to raise about 20 to 25 per cent of the offer price through a rights issue. The balance will be funded by debt.

£300m Nutricia roadshow moves in

By David Blackwell

The roadshow to sell Unigate's 29 per cent stake in Nutricia – one of the biggest European corporate deals of the year – moves into top gear this week.

Presentations to potential investors move from continental Europe to the UK tomorrow and to the US at the end of the week. Early indications are that interest is strong, with orders already in from Dutch, UK, Scandinavian, Swiss, and German investors.

Nutricia became Europe's largest baby food maker after buying Germany's Milupa in August. Unigate, the UK foods and distribution group, is hoping to get more than £300m for its stake.

More than 6.2m depositary receipts, or shares, in the Netherlands-based group are being sold via a global book-building exercise through SBC Warburg and ABN Amro Hoare Govett.

Ms Lucinda Riches, executive director of equity capital markets at SBC Warburg, said that early indications were favourable. "They reflect the scarcity of primary issues in this sector and the strength of the investment case following the Milupa acquisition."

Nutricia shares shed Fl 3.30 to close at Fl 114 on November 15, when Unigate announced its decision to sell. At the close last Friday the shares were Fl 121.9.

Unigate shareholders will vote on the sale at an extraordinary general meeting this Friday. The shares will be priced the following week.

The recovery in the share price indicates that there is little selling pressure. The book-building exercise will aim to price the shares as close as possible to the market price.

Unigate's investment is on its balance sheet on March 31 at £79.1m. The proceeds from the sale will eliminate net debt of £174m. The remaining cash will be used to fund acquisitions in its core businesses of food and distribution.

NEWS DIGEST

Seeboard brightens to £39.4m

Seeboard, the regional electricity company which has accepted a bid from Central and South West Corporation of the US, saw pre-tax profits rise from £33.5m to £39.4m in the six months to September 30.

However, operating profits slipped from £40.1m to £38.5m, on turnover of £512.2m (£509.3m). Last year's pre-tax figure was held back by a £12.8m charge related to government debt premium.

The £6.4m interim dividend from the National Grid, which is to be demerged, was excluded and will be included as an exceptional item in full-year figures.

The distribution business contribution slipped to £42m (£43.6m) reflecting the review of price controls undertaken by Offer, although its impact was cut by lower operating costs due to "significant reductions in manpower".

Earnings per share rose from 9.1p to 11.9p.

Wilmington placing

Wilmington Group is raising £6.1m net from its flotation by way of a placing of 23.4m ordinary shares at 50p, which will give it a market value of about £35.7m.

Mr Brian Gilbert, a leading publisher in the business-to-business magazine sector, is bringing the company to market. Wilmington was formed from the merger of two companies bought from the administrators of Maxwell Communication Corporation – Waterlow Information Services and Wilmington Publishing.

Some £2.3m of the proceeds will be used to repay convertible loan stock. The balance will be used to reduce borrowings and expand publishing and information assets.

The placing is being effected by Marshall Securities, which is also sponsoring the flotation.

Dealings are expected to begin on December 6.

Asprey appointment

Asprey, the jeweller, has appointed Mr David Adams group finance director with effect from January 1.

Lowndes Lambert

Mr Richard Shaw, chairman since 1979 of Lowndes Lambert, the insurance broker, has died.

Sir Robert Clark, deputy chairman since 1992, will act as board chairman.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Lyonnaise des Eaux (France)	Northumbrian Water (UK)	Water	£823m	First big UK water bid
Dow Chemical (US)	PBB/Indupa (Argentina)	Petrochemicals	£229m	Twin win for Dow consortium
KKR (US)	RRN (UK)	Publishing	£205m	Buy-out from Reed Elsevier
Air New Zealand (NZ)	Ansett (Australia)	Airlines	£203m	Outline accord
Dow Chemical (US)	Polisur (Argentina)	Petrochemicals	£124m	Further solo buy
Italgas/Snam (Italy)	Tigaz (Hungary)	Gas distribution	£110	First round bid success
BAT (UK)	Augustow (Poland)	Tobacco	£56m	Privatisation deal
Legal & General (UK)	SGIC Life (Australia)	Insurance	£44m	Package via local arm
Black & Edgington (UK)	Krypton (Gibraltar)	Pharmaceuticals	£12m	Change of life at B&E
Medeva (UK)	Tillotts Pharma	Pharmaceuticals	£10.1m	A first Swiss buy

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, November 24, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	6933.07	4442.00	3135.90	4383.06
Albania	(Lek)	145.311	93.1000	65.7254	91.8844
Algeria	(Dinar)	79.7015	51.0645	36.0496	50.3906
Andorra	(French Fr)	7.6045	4.8722	3.4396	4.8075
	(Sp Peseta)	189.278	121.270	85.6124	119.681
Angola	(Kwanza)	8884.07	5692.00	4018.36	5616.46
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	364.533	233.555	164.882	230.455
Greenland	(Danish Krone)	8.5618	5.4855	3.8726	5.4127
Grenada	(E Carr $)	4.2142	2.7000	1.9061	2.6642
Guadeloupe	(Local Fr)	7.6045	4.8722	3.4396	4.8075
Guam	(US $)	1.5608	1	0.7060	0.9867
Guatemala	(Quetzal)	9.3085	5.9636	4.2103	5.8848
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	53.4040	34.2158	24.1552	33.7617
Panama	(Balboa)	1.5608	1	0.7060	0.9867
Papua New Guinea	(Kina)	2.0537	1.3158	0.9289	1.2983
Paraguay	(Guarani)	3063.07	1962.50	1385.46	1936.45
Peru	(New Sol)	3.6211	2.3200	1.6378	2.2892
Philippines	(Peso)	40.9008	26.2050	18.4999	25.8572
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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COMPANIES AND FINANCE

NEWS DIGEST

Singapore Telecom lifts interim profits

Singapore Telecom, the island republic's largest company, has reported pre-tax profit for the six months ended September 30 of S$985m (US$697m), a 9.4 per cent rise on the previous comparable period. Group turnover was up 12 per cent to S$1.96bn. ST, ranked among the top 50 of the world's conglomerates in terms of market capitalisation, said three rounds of tariff cuts over the past 14 months had adversely effected International Direct Dialling (IDD) revenues. While IDD traffic increased by 26 per cent over the six-month period, revenues from international calls only rose 4 per cent.

Demand for mobile phone and paging services was strong, with revenues from mobile communications increasing by more than 16 per cent. Over the past year, ST's mobile phone customer base has grown by 30 per cent, with the number of paging customers up 22 per cent. Singapore now has a mobile phone penetration of 9 per cent and 30 per cent of the population have pagers. Singapore has more pagers per head of population than anywhere else in the world.

ST reported continuing losses in its associated companies, rising to S$31m in the last six months compared with S$11m in the previous equivalent period. The group said the bulk of the losses were from an investment in NetCom GSM of Norway and an interest in Yorkshire Cable and Cambridge Cable in the UK – the single largest overseas investment.

Kieran Cooke, Kuala Lumpur

France Télécom earns FFr5.3bn

France Télécom, the French state-owned operator, achieved a net profit of FFr5.3bn ($1.09bn) in the first six months of this year on turnover of FFr73.5bn. The results were the first half-year figures from the national telecoms company and compare with group net profits for 1994 of FFr9.9bn. They come as the company is preparing itself for the liberalisation of European telecoms services from 1998 and as it steps up efforts to curb its debts.

After a dividend payment to the state estimated at between FFr4bn and FFr5bn, debts are expected to fall by more than FFr12bn this year, from a total of FFr95bn at the end of 1994. Under the terms of a planning contract with the government which covers the 1995–98 period, debts are scheduled to fall to FFr45bn. A reduction of the company's debt burden is seen as necessary to increase France Télécom's competitiveness ahead of telecoms deregulation. It is also seen as a possible step towards the eventual sale of a stake in the company.

So far, the French government has said that it plans to reform the operator's statutes, changing it from an arm of the administration to a public sector company with its own share capital. It has remained guarded, however, about the possibility of a partial privatisation, a move which would be fiercely opposed by trade unions.

John Ridding, Paris

Hungary to decide on Matav

Hungary is due to decide this week on the sale of its remaining 65 per cent stake in Matav, the partially privatised telecommunications company. APV Rt, the state privatisation agency, has been in discussions since the summer with Magyarcom, the consortium of Ameritech and Deutsche Telekom that bought 30.3 per cent of Matav for $875m two years ago. The consortium, which already has management control of the company, has said it wants a majority stake.

It is believed that the consortium will purchase most of the APV Rt's remaining stake in the company, but will undertake to float the company and reduce its shareholding within a fixed period of time. The consortium blocked an IPO planned for last year, as an offering at a lower price per share than it had paid would have forced Ameritech and Deutsche Telekom to write down their investment in Matav at a loss.

Virginia Marsh, Budapest

Restructuring helps Kyocera

Increased sales and restructuring helped Kyocera, the Japanese maker of ceramic products and electronic equipment, more than treble consolidated interim pre-tax profits in the face of a strong yen. Group sales in the first six months rose 39 per cent to Y318.1bn ($3.14bn) from Y228.9bn while pre-tax profits surged to Y102.6bn from Y33.1bn.

A significant part of the improvement was due to a contribution of Y38.3bn from the listing of AVX, its US subsidiary, on the New York Stock Exchange. Without the contribution, Kyocera's profits jumped 94 per cent to Y64bn. Net profits more than doubled to Y51.2bn from a previous Y18.6bn.

Kyocera expects the continuing strength of PCs and telecommunications equipment to support increased sales in the year to March. It forecast that non-consolidated sales would rise 37 per cent in the full year to Y486bn, that recurring profits would increase by 76 per cent to Y96.5bn, and that net profits would more than double to Y59bn.

Michiyo Nakamoto, Tokyo

David Jones prices issue

David Jones, the Australian department stores group, has set the issue price of its shares at A$2.00, towards the bottom end of the A$1.95–A$2.15 bidding range at which it asked institutional investors to apply for stock. The A$2.00 a share price means that private investors, who were asked to subscribe at A$2.15, will get a refund.

At the offer price, the 375m shares on offer – which are being sold by David Jones' parent company, part of the troubled Adelaide Steamship group – are valued at A$750m (US$553.5m).

Nikki Tait, Sydney

Skanska group expected to win bridge contracts

By Hugh Carnegy in Stockholm

Skanska, Sweden's biggest construction group, is confident of pulling off a double coup today when contracts worth about $1bn are announced for the two bridges which make up the main section of the first fixed road and rail link between Sweden and Denmark.

Consortia led by Skanska are expected to win the contracts for the 6km-long low bridges and the 1km cable-stayed high bridge which will span the shipping lanes in the Oresund channel between the two countries. The Danish companies Hojgaard & Schultz and Monberg & Thorsen are partners in both consortia, with Germany's Hochtief also involved in the high bridge consortium.

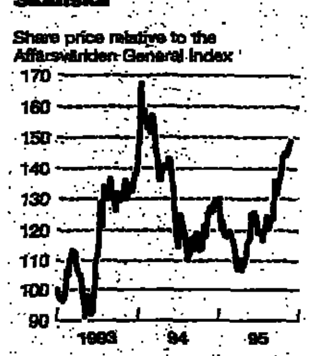
The contract awards, to be signed today in Malmö on the Swedish side of the Oresund, will come as a welcome boost for Skanska after three years of recession in the Swedish construction industry.

On Friday, Skanska announced a fall in profits after financial items in the first nine months of 1995 from SKr2.7bn last time to SKr2.15bn ($330m), on sales up significantly from SKr27bn to SKr28.9bn. But the profit figures were distorted by heavy one-off dividends accrued at the same stage last year: operating profits rose from SKr2.6bn to SKr3.2bn.

Skanska expects full-year profits to be in line with last year's SKr3.1bn. Since the Swedish market collapsed in 1992, when Skanska slid into heavy losses, it has relied on its overseas operations to stay profitable. It said the number of housing starts in Sweden in 1995 was likely to be the lowest this century.

Skanska

Share price relative to the Affärsvärlden General Index



Source: FT Extel

The Oresund bridge-tunnel project, due for completion in 2000, is set to be a boon for Swedish companies. The $680m contract for the 3.7km tunnel linking the Danish side to the bridges was won in July by a consortium led by NCC, Skanska's main Swedish rival.

A total of 11 consortia bid for the two bridge contracts, including companies from Sweden, Denmark, Germany, Spain, Turkey, the US, France and the Netherlands.

The Skanska-led groups were believed to have been the lowest bidders in both cases. The Oresund consortium, the Danish-Swedish group managing the project, said the lowest bid for the low bridges was DKr3.8bn ($693m) and for the high bridge was DKr1.5bn.

The Oresund link to Zealand and Copenhagen will enable road and rail traffic to run directly between Sweden and Denmark for the first time. Coupled with the nearly completed DKr20bn Storebaelt bridge tunnel project linking Zealand and Funen islands to the Danish mainland, the link will greatly speed connections between Sweden, the heavily populated Copenhagen area and the rest of Europe.

Syndicated loan for Anglovaal

By Conner Middelmann

Anglovaal, the industrial and mining group, is seeking to raise $100m in the international syndicated loans market – the first general-purpose credit facility for a South African corporate borrower since 1985, when international sanctions ring-fenced South Africa from global financial markets.

The transaction marks a further step towards South Africa's rehabilitation in the international capital markets following the gradual removal of anti-apartheid sanctions.

"This deal marks the full reopening of the international loan markets to South African borrowers," said one banker, who expects the deal to pave the way for similar transactions by other South African companies.

The three-year revolving credit facility is being arranged by Henry Ansbacher, the UK merchant banking subsidiary of First National Bank of Southern Africa.

ABN-Amro Bank, Commerzbank, Fuji Bank and Royal Bank of Scotland are acting as co-arrangers.

Anglovaal will pay an interest rate of 67.5 basis points over the London inter-bank offered rate (Libor) on the loan. The close of syndication will be December 8.

Anglovaal plans to use the funds within its domestic central treasury and, subject to exchange control, for the financing of offshore acquisitions. The company is listed on the Johannesburg and London Stock Exchanges and has a market capitalisation of R10.5bn ($2.87bn).

In recent years, bank lending to South Africa has been limited to a small number of trade-finance related loans insured by borrowers' hard-currency earnings or off-shore assets. However, since the beginning of the year, the syndicated loans market has seen a steady stream of South African business totalling some $1.5bn in deals with increasing maturities.

It was kicked off in January by First National Bank and followed by loans to eight banks and four parastatal agencies, although a $100m loan for power utility Eskom in March was said to have struggled due to its ambitious five-year maturity.

Austrian banks approve bid for HTM

By Ian Rodger in Zurich

Head/Tyrolia/Mares (HTM), the insolvent Austrian sports equipment group, has escaped bankruptcy proceedings after Austrian banks approved a controversial takeover plan by a consortium led by Swedish financier Johan Eliasch.

The terms, which include a Sch1.19bn ($119m) cash contribution to HTM from state-owned tobacco monopoly Austria Tabakwerke, the former owner, and Sch590m in debt forgiveness and interest waivers from the banks, still have to be approved by the European Commission.

Other sports equipment groups have protested to Brussels that the deal has an element of state subsidy and should be blocked. A full investigation taking two to four months is expected.

HTM, known internationally for its ski, tennis and diving equipment, has proved a headache since Austria Tabak bought it in 1993 for $240m. In spite of large capital injections from Austria Tabak, it remained in loss, and was declared insolvent last August when one of its Austrian banks called in a loan.

Austria Tabak proposed a rationalisation plan, but the Austrian finance ministry rejected it and sacked three top executives. In September, Mr Eliasch's proposal to buy the company for a token Sch10m, provided it would get the agreed advances from Austria Tabak and debt and interest relief from Austrian banks, was accepted.

HTM has sales of about Sch5bn and debts of Sch2.5bn.

Mr Michael Treichl of investment bank SBC Warburg, adviser to the Eliasch consortium, said Austria Tabak's contributions were not state aid, but the only way the group could get rid of HTM as a going concern.

"We are taking on the liabilities with no warranties or representations," Mr Treichl said. As part of the deal with the banks last week, the Eliasch consortium agreed to raise its equity investment to Sch35m.

Mr Treichl said HTM would now approach bankers to HTM's non-Austrian subsidiaries to seek their support. No difficulty was expected as these operations were not in trouble. HTM would continue trading in the next few months by drawing down Sch250m from Austria Tabak as EU-recognised "rescue aid" pending the outcome of the commission's investigation.

Fuji Film ahead despite sluggish sales

By Michiyo Nakamoto in Tokyo

Fuji Film, the Japanese maker of photographic products, reported firm consolidated pre-tax profits for the six months to September 30, despite sluggish sales.

The company suffered slow domestic sales and a time-consuming public relations battle with Kodak of the US, which claims Fuji has unfairly excluded it from the Japanese market.

Fuji is at the centre of an investigation by the US trade authorities into the Japanese market for colour film and photographic paper. There is the possibility of trade sanctions if it is decided the market is unfair.

Pre-tax profits in the first half were Y65.8bn ($649m). The figures are not directly comparable with last year as Fuji changed its year end from October to March this year. In the five months to March 31, it made pre-tax profits of Y49.9bn.

Sales during the period were Y519.4bn. The company was adversely affected by the strong yen. Net profits were Y37.6bn.

Overseas, Fuji enjoyed stronger demand in south-east Asia, Europe and the US for its colour film, although gains were undermined by the rise of the yen.

On a local currency basis, sales in south-east Asia grew 20 per cent, supported by buoyant demand in Malaysia and China and new demand in Vietnam. Sales registered near double-digit growth in Europe. In the US, Fuji managed to post some growth on a dollar basis, although not as much as in the other regions.

At home, Fuji Film has struggled in a sluggish market to maintain its high share in the face of intense price competition and the penetration of imports.

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Martin Dickson

All eyes on the Bundesbank

The question tantalising capital markets this week is whether the Bundesbank will spring a surprise and cut the German discount rate at its council meeting this Thursday.

And behind that question lies a larger one: whether the slow-down in European economic recovery is a mere technical pause, stemming from the stock cycle, or is developing into something more ominous.

The official view is still fairly sanguine. The European Commission forecast last week that the EU would grow 2.6 per cent next year, compared with 2.7 per cent in 1995. But some private sector economists suggest this may be overly optimistic.

Some question whether the consensus forecast adequately reflects the braking effect of tightening fiscal policy as Europe countries try to meet the Maastricht criteria for monetary union (though any slowdown should be offset by the lower borrowing costs that are the corollary of fiscal rectitude).

Nowhere are these tensions more evident than in France, where the Juppe government has made deficit reduction its top priority and unveiled a tough package of welfare reforms, tax increases and spending cuts.

That is likely to exacerbate an already poor economic outlook. Figures due out next week are likely to show little or no growth in the third quarter, while the fourth quarter hardly looks any better.

Other pessimists point out that the official EU forecast assumes 2.4 per cent growth in the German economic locomotive next year and wonder whether this is achievable.

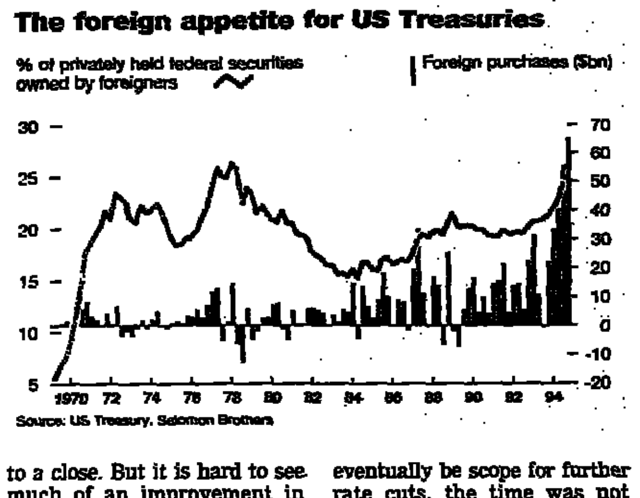
The Bonn economics ministry announced last week that third quarter GDP showed almost no growth over the previous period, due mainly to the strong mark, which had hit exports, slowed down domestic investment and forced intensified corporate restructuring.

Hopes of a modest German recovery next year are pinned in considerable measure on an improvement in consumer confidence and spending, expected as higher wages and a package of tax cuts feed through in the new year and employment stabilises as restructuring draws to a close. But it is hard to see much of an improvement in confidence if German unemployment keeps rising over the next few months and some of the country's biggest industrial names continue with large redundancy programmes.

So far there is no sign of this cutting much ice with the Bundesbank, several of whose council members indicated last week that while there might eventually be scope for further rate cuts, the time was not ripe. Mr Franz-Christoph Zeitler argued that the current economic slowdown was temporary and that a hasty rate move could unnerve markets.

However, the Bundesbank likes to catch traders on the hop and some analysts wonder whether such remarks could be the prelude to a rate cut this week.

The foreign appetite for US Treasuries



Source: US Treasury, Salomon Brothers

Total return in local currency to 23/11/95

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.08	0.11	0.20	0.13
Month	0.49	0.4	0.34	0.64	0.91	0.56
Year	6.75	2.89	5.50	6.25	8.97	7.25
Bonds 3-5 year						
Week	-0.16	0.34	0.28	0.16	0.06	0.26
Month	0.78	1.22	1.58	2.50	2.47	1.82
Year	13.92	13.53	13.67	12.45	14.56	12.88
Bonds 7-10 year						
Week	-0.26	0.43	0.18	0.02	-0.17	0.55
Month	0.79	1.33	1.77	3.44	4.12	2.78
Year	20.91	17.09	15.04	15.07	14.72	14.36
Equities						
Week	0.3	1.6	-0.2	-1.5	-0.7	-0.2
Month	2.5	0.0	3.1	7.4	-2.1	-2.2
Year	36.8	-2.2	7.0	3.3	-5.6	22.8

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and Standard & Poor's.

But the bank remains concerned about the inflationary impact of this year's 4 per cent wage round and if it is true to its cautious form it will probably leave a cut until early next year, when it will have a longer run of monetary data on which to base a decision.

Whenever the bank acts, the market has little doubt that German interest rates have further to fall, with the more optimistic analysts forecasting a 2.5 per cent discount rate by mid-year.

That, coupled with a benign inflation backdrop, augurs well for pan-European bond prices and may help high yielders, in particular, narrow their spread against bunds, where tighter fiscal policies are also seen to be producing results.

Equities are another matter. A popular argument over the past few months has been that Europe is the place to invest in 1996, on the grounds that America's extraordinary surge in stock prices over the past year must have almost run its course, and Europe's position in the economic recovery cycle means that momentum will now transfer to it.

But this now seems a little too pat. It ignores both the doubts about 1996 European economic expectations and the fact that Europe (the UK, to some extent, excepted) still lags well behind the US in industrial restructuring. There seems no compelling reason to expect significant pan-European equity out-performance of the US in 1996.

Certainly, the prospect of interest rate cuts present a benign short-term backdrop for both the fixed income and equity markets, yet political fall-out from implementation of Maastricht criteria could mean increased volatility in the first half of 1996, and a flight to quality.

France is again crucial. The Government's commitment to the franc fort, and the high interest rates necessary to support this, may prove increasingly hard to sustain against a backdrop of fiscal squeeze, minimal growth and rising political unrest, manifested in the wave of union strikes.

Analysts' forecasts for French growth next year average around 2 per cent, though one pessimist, Nikko's Stuart Thomson, is forecasting just 1 per cent – and then only if the Franc is devalued and significant interest rate cuts take place before the end of the first quarter.

He thinks the franc could come under impossible strain early in the year if the D-Mark strengthens against the dollar. The US currency, he argues, is likely to weaken as Japanese investors take profits on their investment in US treasuries to counter domestic write-offs.

Certainly, foreign investors (and Japanese in particular) have played a crucial part in bolstering the US government bond market over the past year and their share of the market is now almost as high as the record level set in late 1978 (see chart).

A significant diminution of this position might affect both the Treasury market and the dollar, though the continuing amelioration of the US-Japan trade imbalance may help underpin the currency.

COMMODITIES

Richard Mooney

Coffee group under pressure

Delegates to the Association of Coffee Producing Countries' meeting in Bali today and tomorrow face a daunting task. They will be trying to regenerate belief in a price bolstering export retention scheme that is viewed with increasing scepticism in the world coffee market.

Nearby coffee futures fell by more than $100 a tonne in London last week and are about $700, or 24 per cent, below the level at which they began the year.

Export retention began about two years ago and initial appeared to work well. But the original scheme became irrelevant after two frosts and a drought in Brazil lifted world prices well beyond its target range. The current scheme's aim was to maintain prices at those vastly more remunerative levels; but the temptations of the market have been much greater and the resolve of the ACPC members is assumed to be that much less rigid.

Last week's price plunge reflected expectations that this week's meeting would reveal waning commitment to the retention scheme and might result in a watering down of its aims.

"There is some nervousness about the ACPC scheme and whether or not its members believe the policy best serves their interests," London broker GNI said in a market report. "What can they do? The market is on its knees and these boys are in deep trouble," a London trader told the Reuters news agency.

Key producers Brazil and Colombia attempted, however, to counter speculation, saying changes were unlikely.

"Colombia will not agree to any changes. It will not even leave it open to debate," Mr Jorge Cardenas, head of the powerful National Coffee Growers Federation, told Reuters in Bogota.

And Mr Rubens Barbosa, ACPC President and Brazil's ambassador said: "We will remain united in our commitment to the ACPC scheme." He added, however, that the market should not expect fireworks from the Bali meeting.

Economic Eye / Martin Wolf

Tax promises, tax realities

It is a truth universally acknowledged that a disconsolate electorate in possession of an unpopular government must be in want of tax cuts. This is no longer a truth just for Tories. Last week's plan from the Labour party to reduce the lower rate of tax from 20 to 10 per cent shows its leadership shares the same belief. But voters should ask themselves whether any such cuts would last.

One of the advantages of setting the budget in November, for a fiscal year starting the following April, is that fine-tuning of demand becomes absurd. Monetary policy possesses both the desired flexibility and the needed effectiveness. The question about taxation is whether it can finance public spending. Its structure should impose as small an economic cost as possible, while being deemed fair enough to be politically tolerable. Its level should persuade the government's creditors that its finances are sustainable.

Unfortunately, deciding whether public finances are sustainable is difficult. The question should be approached in the same way as engineers design bridges. They would ask for more than ones expected barely to survive the worst conceivable storm. A fiscal policy that a country should just get away with would be too risky. Since the UK is a low-savings country, while the ratio of net public debt to gross domestic product has just jumped from 29 per cent in 1990, to over 47 per cent this year, a wise policy-maker would plan to lower the ratio over the longer term.

Under plausible assumptions about the real interest rate, economic growth and inflation, this would imply an average public sector borrowing requirement of below 2 per cent of GDP. Since the PSBR in 1995-96 may end at around 3.7 per cent of GDP, according to the Institute for Fiscal Studies, it is far short of sustainability.

Wait, the chancellor will cry. Last year, the Treasury forecast that the PSBR would be eliminated by 1998-99. True, this year has seen substantial slippage. Yet even the IFS now suggests the PSBR could disappear by the end of the decade, provided the government delivers the tight spending it has promised.

Is this plausible? The chart shows that a quarter of a century ago, the ratio of general government spending to GDP was 41¼ per cent. In 1995-96, according to last summer's Treasury forecast, it will be 41¾ per cent. In between, public spending's share of GDP has gone through three cycles, with each peak a little below the last. Yet now the government has forecast spending will fall below 40 per cent by the end of the decade, a level touched in the late 1980s, but before that not since 1966-67.

Note, first, that the present spending ratio is remarkably low by European standards. The richer continental countries spend between Germany's 49 per cent of GDP in 1994, through Italy's 54 and France's 55 per cent, to Sweden's 69 per cent. Note, second, that the government's intention was to limit the total increase in real public spending between 1994-95 and 1997-98 to below 2 per cent.

In 1994, social security was 34.4 per cent of public spending, health 13.5 per cent, education 12.6 per cent, defence 8.3 per cent, law and order 5.3 per cent and debt interest 7.8 per cent, for an 81.9 per cent total. If the ratio of public spending to GDP is to fall, spending on these categories must, collectively, grow sustainably less rapidly than GDP. How likely is that when pensioners dependent on the state are suffering a trend decline in their relative income, relative earnings of unskilled workers are falling, pressures on families are growing, spending on health is being pushed upwards by changes in technology, demography and real wages and the need for more investment in education is widely accepted?

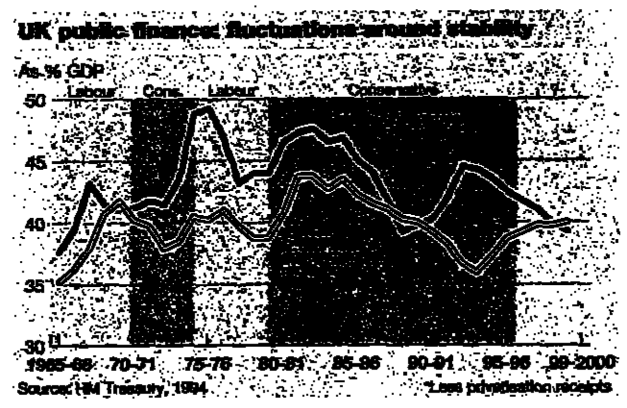
Only a very determined government is likely to resist these forces year after year. Since 1985 the ratio of public spending to GDP has averaged just over 42 per cent of GDP. A sceptical voter could reasonably assume this is what would happen under the Tories over the next ten. As for Labour, it is by conviction and interest the party of public spending. Again, a sceptical voter must assume that public spending would be higher than under the Tories.

To cover a spending ratio averaging 42 per cent, the tax ratio should average close to 40 per cent, which is what the government expects it to be. Any significant reduction in the ratio of receipts to GDP would then be unsustainable, although the government could still make headline "cuts", because the ratio of revenue to GDP rises automatically in a progressive tax system, with economic growth.

Yet the PSBR is the difference between two far larger numbers. If, for example, the spending ratio were to be pushed sustainably close to 39 of GDP, as the Treasury has suggested, tax reductions could be almost three percentage points of GDP. This would allow Labour to increase real spending on education by more than a half or the Tories to lower the basic rate of tax by 10p in the pound.

This is not inconceivable, just unlikely. So Tories who insist the chancellor should spend the coming tax windfalls before Labour can may prove right; as may Labour supporters who hope to inherit a cornucopia. But sceptical voters should also remember the discussions of six years ago about the response to the then disappearing public debt. They would be wise to save much of whatever the chancellor chooses to remit on Tuesday. In a few years, his successor is quite likely to want all the money back.

UK public finances: fluctuations around stability



Source: HM Treasury, 1994 *Less privatisation receipts

ATHENS STOCK EXCHANGE 17 Nov - 24 Nov '95 GREECE

				GDP (USD bn) 95e	108.67
ASE INDEX	874.47	P/E 95e (after tax)	12.4	Per Capita Income (USD)	9,810
%Chg (Prev. Wk)	-2.23	P/E 94 (after tax)	16.3	Inflation Rate (% Y.O.Y. October 95)	8.30
Yearly High	996.75	EPS GROWTH (%) 95e	22.4	12 month T-bill (%, end of October issue)	14.00
Yearly Low	782.22	P/CE 95e/94	7.3/10.1	1-month Athibor (%)	16.6
WEEKLY VOLUME (USD m)	206.88	P/BV 95e/94	3.1/3.3	GRD-US$	232.78
%Chg (Prev. Wk)	23.06	Div. Yield (%) 95e/94	5.2/4.4	A.S.E. Market Capitalisation - 24/11/95 (USD bn)	16.46
1 Y Wk Avg. (USD m)	100.99			IPOs & Rights Issues (USD m Jan'95-24 Nov '95)	311.32

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 24 1995								THURSDAY NOVEMBER 23 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	183.60	7.1	174.59	117.75	135.36	165.67	12.6	3.98	184.16	174.70	117.18	135.36	165.67	191.01	157.95	166.22
Austria (27)	171.53	-6.1	162.94	109.89	126.32	126.24	-14.2	1.33	171.93	163.08	109.39	126.35	128.27	199.29	187.48	177.22
Belgium (35)	198.91	18.1	188.94	127.43	146.48	142.89	8.1	3.86	199.34	189.08	126.83	146.49	142.76	201.12	164.78	169.79
Brazil (28)	131.94	-19.1	125.32	84.52	97.16	234.28	-7.9	1.80	135.10	128.15	85.96	99.28	239.79	180.75	86.08	170.61
Canada (100)	148.44	14.7	141.00	95.09	109.32	145.55	10.8	2.63	148.44	140.80	94.44	109.09	145.52	150.83	121.81	127.39
Denmark (33)	279.98	11.2	265.95	179.36	206.18	208.88	0.2	1.55	281.39	266.91	179.03	206.79	209.53	295.99	236.61	246.72
Finland (25)	214.50	15.3	203.75	137.41	157.96	180.12	2.8	1.66	211.89	200.99	134.82	155.72	187.62	276.11	171.13	183.09
France (100)	182.33	11.5	173.20	116.80	134.27	139.35	1.8	3.15	180.33	171.05	114.73	132.53	137.74	191.17	157.79	167.14
Germany (59)	159.65	11.4	151.65	102.28	117.57	117.57	1.8	2.04	159.60	151.39	101.54	117.29	117.29	167.74	135.39	139.39
Hong Kong (55)	362.78	11.2	344.60	232.40	267.16	360.24	11.2	4.06	363.29	344.60	231.15	266.99	360.75	389.39	277.40	345.40
Ireland (16)	256.47	24.4	243.62	164.30	188.88	224.20	19.2	3.41	256.14	242.97	162.97	188.25	224.09	260.87	195.34	199.75
Italy (58)	69.20	-6.1	65.74	44.33	50.96	82.37	-9.7	1.83	69.70	66.12	44.35	51.23	82.91	82.71	66.45	74.47
Japan (483)	143.98	-8.3	136.77	92.24	106.04	92.24	-8.8	0.83	145.29	137.82	92.44	106.78	92.44	164.82	138.95	151.44
Malaysia (108)	445.00	-7.2	422.70	285.07	327.71	435.66	-7.6	1.89	449.06	425.96	285.72	330.03	439.06	581.96	398.16	497.42
Mexico (18)	956.97	-32.4	909.01	613.04	704.73	8032.94	5.3	1.73	960.43	911.02	611.07	705.83	8012.13	2125.20	647.81	1989.50
Netherland (19)	262.62	21.1	249.46	168.24	193.40	190.14	10.7	3.43	261.26	247.82	166.23	192.01	188.77	263.99	207.80	209.73
New Zealand (14)	79.00	12.1	75.04	50.61	58.18	64.36	10.1	4.31	78.35	74.32	49.85	57.58	63.79	85.48	69.56	71.96
Norway (33)	229.11	7.5	217.63	146.77	168.72	194.48	-0.6	2.15	228.73	216.96	145.53	168.09	193.38	243.79	194.61	194.79
Singapore (44)	371.42	-0.4	352.81	237.94	273.53	241.80	-3.5	1.68	372.29	353.14	236.87	273.61	242.19	414.26	313.94	370.39
South Africa (45)	371.24	10.3	352.64	237.82	273.39	286.49	-1.1	3.99	369.72	350.70	235.23	271.71	295.08	378.66	291.06	331.59
Spain (38)	160.08	21.3	152.05	102.55	117.88	147.06	11.8	3.87	158.31	150.17	100.73	116.35	145.22	160.51	124.10	140.81
Sweden (47)	321.99	39.3	305.86	206.28	237.13	310.19	22.0	1.94	318.62	302.24	202.73	234.17	308.17	321.99	225.80	236.55
Switzerland (41)	230.31	39.4	218.77	147.54	169.61	162.95	21.6	1.83	230.03	218.20	146.36	169.05	162.52	230.31	158.38	160.12
Thailand (46)	153.56	-2.9	145.87	98.38	113.09	149.62	-2.8	2.72	153.18	145.30	97.46	112.56	149.34	184.55	130.15	157.10
United Kingdom (206)	227.77	16.9	216.36	145.92	167.74	216.36	17.2	4.04	226.83	215.16	144.32	166.71	215.16	228.33	187.07	192.95
USA (504)	245.90	31.0	233.58	157.53	181.09	245.90	31.0	2.41	246.26	232.64	156.05	180.24	245.26	248.04	182.33	184.13
Americas (850)	224.13	28.7	212.90	143.58	165.06	188.34	28.1	2.40	223.63	212.13	142.29	164.35	187.90	224.13	170.66	172.10
Europe (737)	199.03	17.2	189.11	126.86	145.83	166.34	10.4	3.06	197.23	187.08	125.49	144.94	165.48	199.02	163.04	167.65
Nordic (138)	284.48	28.7	270.23	182.24	209.50	236.98	12.5	1.86	282.43	267.90	179.70	207.56	235.60	295.02	215.79	224.42
Pacific Basin (832)	153.87	-6.3	146.16	98.57	113.32	102.25	-5.3	1.28	155.09	147.12	98.68	113.98	102.47	171.87	145.93	159.63
Euro-Pacific (1569)	172.18	3.6	163.55	110.30	126.80	126.44	1.2	2.14	172.55	163.68	109.79	126.81	126.26	178.33	154.73	162.96
North America (604)	239.88	30.3	227.86	153.67	176.65	239.17	30.1	2.41	239.27	226.96	152.24	175.84	236.57	239.92	178.86	180.61
Europe Ex. UK (531)	177.87	17.4	168.77	113.82	130.84	138.25	6.8	2.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (349)	248.67	4.4	236.21	159.30	183.13	218.70	5.4	3.37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1760)	173.34	3.5	164.56	110.98	127.68	130.16	1.3	2.18	173.61	164.68	110.46	127.29	129.89	178.73	153.42	164.84
World Ex. UK (2058)	192.43	12.6	182.79	123.27	141.71	158.32	10.8	2.07	192.57	182.68	122.82	141.52	158.09	192.76	165.48	168.54
World Ex. Japan (1781)	224.22	22.1	212.98	143.64	165.12	208.99	19.6	2.73	223.84	212.13	142.29	164.38	208.82	224.29	182.89	178.52
The World Index (2264)	195.62	13.0	185.72	125.25	143.98	163.38	11.3	2.27	195.57	185.51	124.43	143.73	163.09	195.72	165.92	170.23

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WORLD BOND MARKETS: This Week

NEW YORK
Lisa Bransten

Once again the focus of the bond market will be on Washington this week as investors try to determine if President Bill Clinton and Congress can agree to a budget by the new deadline of December 15.

The market remains optimistic because, although there are some important differences in the method, both sides appear committed to cutting the deficit to zero by sometime early in the next millennium.

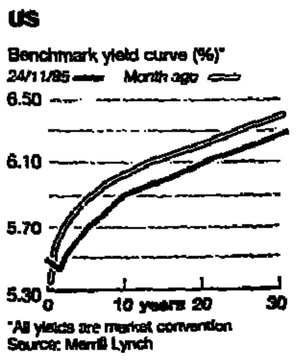
Also important this week will be a spate of figures on manufacturing activity. Last Wednesday's figures on overseas trade showed the trade deficit to have narrowed substantially, causing worry that economic growth is stronger than most economists had anticipated.

Thus, Friday's figures on November business activity from the National Association of Purchasing Management should help shed some light on the manufacturing sector of the economy. Economists from Chemical Securities believe the NAPM's survey of business activity will show a rise of 2 points to 48.8.

Also important this week will be the auctions tomorrow and Wednesday of two-year and five-year notes. The Treasury said last Wednesday that the size of the auctions would be modestly higher than it has been in the past, which could give the markets some digestion problems.

US

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

LONDON
Richard Lapper

UK government bonds gained further ground on Friday with the December long gilt contract settling at 109 11/32, down 1/32 on a new contract high, but 7/32 up on the day.

Over the week as a whole, gilts out-performed Germany, with yields on benchmark 10-year paper falling by 10 basis points to close at 7.63 per cent, its lowest level this year. The 10-year yield spread over German bonds narrowed by three basis points to close down five basis points at 152.

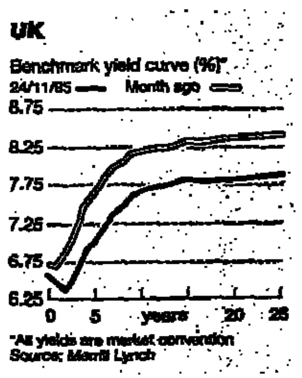
This week, the main focus will be the Budget. Most analysts expect a fiscally neutral Budget, with any tax cuts offset by spending cuts. This outcome is already discounted into the price of gilts. Mr Andrew Roberts, gilts analyst at UBS, says the risks for gilts are "asymmetrically skewed" to the downside.

"Expectations have improved in the last two weeks in tandem with the 20 basis point fall in long yields, and the potential downside if the Budget yields a large net give-away is higher than the immediate upside," says Mr Roberts.

Further ahead, the focus will shift to the prospect of a cut in interest rates. Gilts analysts are expecting no new changes in the structure of the gilts market or to taxation arrangements. The timetable for the introduction of reforms, such as the introduction of repos and strips, is already largely in place.

UK

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

FRANKFURT
Andrew Fisher

Speculation that the widely expected further cut in the Bundesbank's short-term interest rates could come as early as this week has been dampened by Mr Ernst Welteke, a member of the German central bank's council. He said it would be best to study further the effect of the last rate reduction in August.

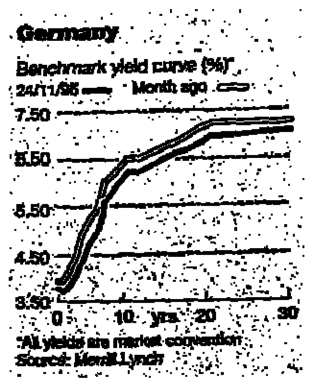
Although last week's M3 data for October – showing a modest 1.6 per cent annualised growth rate – reinforced expectations of an eventual cut in the discount and Lombard rates, he said the money supply figures made no difference to his assessment. He said the securities repurchase (repo) rate still had scope to fall from the current 3.97 per cent.

Mr Welteke, president of the regional central bank of Hessen, did not rule out further cuts in the discount and Lombard rates, now at 3.50 and 5.50 per cent respectively. But he said once markets thought the bottom of the rate cycle had been reached, long-term bond yields could rise. Thus a rate cut could even be counter-productive for the economy.

With economic growth weakening and inflation under 2 per cent – a trend confirmed by preliminary west German state figures last week – economists feel the Bundesbank has scope for further rate cuts in coming months. The Bundesbank meeting is on Thursday.

Germany

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

TOKYO
Emiko Terazono

The long-term bond buying seen last week after the favourable results of the 10-year auction is likely to continue at the start of this week.

Compared with short and medium-term government paper, long-term bonds seem cheap and a rally in the cash market is also expected to support the futures market.

However, analysts expect bond prices to be capped by the release of industrial output figures for October during the middle of the week together with forecasts for November and December.

"A favourable outlook for industrial production during the last two months will make it harder for investors to buy," says Mr Masataka Sera, an analyst at Sanwa Bank.

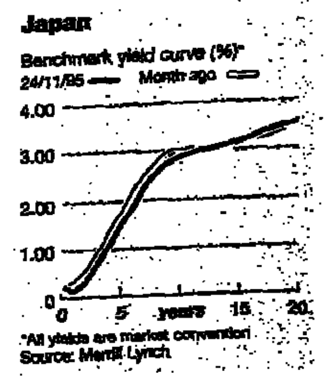
Forecasts by private sector economists for the Tankan, the Bank of Japan's survey of business sentiment, are also expected to start circulating the markets.

The estimates may also dampen enthusiasm for bond buying, since business confidence seems to have improved due partly to the decline in the yen.

Last week's warnings by many of the country's leading banks of current-year losses is good news for bonds. The government will make sure the banks benefit from the yield difference between the short and long ends of the yield curve, preventing a heavy sell-off in the market.

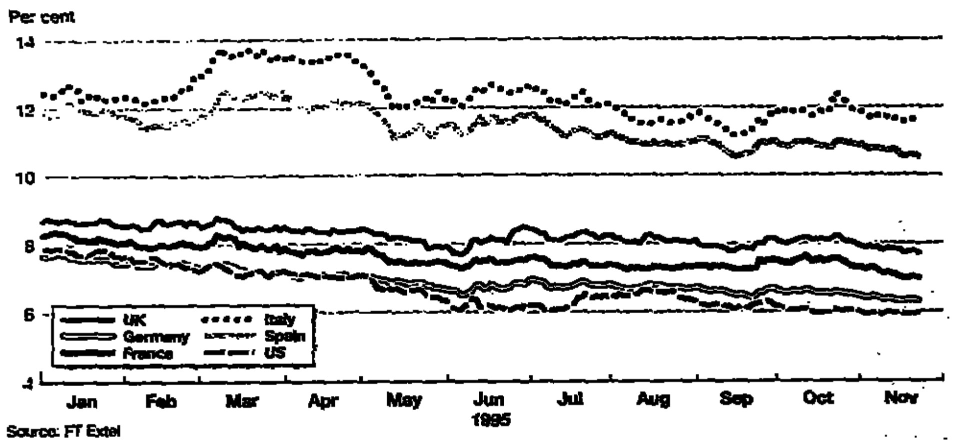
Japan

Benchmark yield curve (%)*



*All yields are market convention
Source: Merrill Lynch

10-year benchmark bonds



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.50	6.15[1]	9.00	6.75[2]
Overnight	5.88	0.38	3.88	5.18	10.35	6.88
Three month	5.48	0.25	3.87	5.28	10.47	6.56
One year	5.43	0.50	3.75	5.06	10.50	6.44
Five year	5.69	1.28	5.07	6.09	11.19	7.01
Ten year	5.91	2.90	6.32	6.89	11.58	7.68

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	117-19	117-28	+0-15	117-30	117-17	178,326	294,167
Mar	117-11	117-19	+0-15	117-20	117-08	14,764	124,658
Jun	116-28	117-03	+0-15	117-04	116-25	277	13,445

Syndicated loans

OECD says spreads could be edging up

The Organisation for Economic Co-operation and Development has joined the debate about the direction of interest margins in the syndicated loans market, suggesting that "spreads might slowly be edging up".

In its latest report on financial market trends, the OECD said that from the fourth quarter of 1994 to the second quarter of 1995, the average interest rate margin over the London inter-bank offered rate remained stable at around 45 basis points but, rose to 55 points in the third quarter.

However, the OECD warned that "it may be too early to be certain" of this trend. Indeed, some loan specialists say there is little evidence of, or reason for, rising margins.

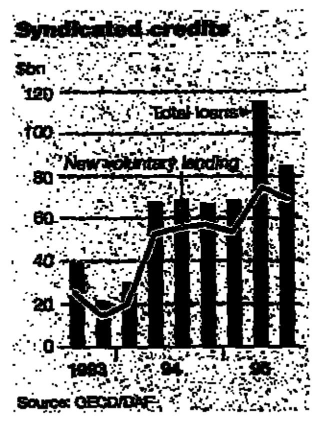
"Barring unforeseen political or economic crises, I don't see why there should be a reversal in the decline of spreads," said one banker, who expects to see another year of slim margins in 1996. "It's usually credit losses that cause margins to rise, and those happen during cyclical downturns – which is not a situation we're in yet."

After falling for the last two years, margins are now around the previous lows of the late 1980s. According to the OECD, the general average spread on all internationally syndicated loans was 48 basis points in the first three quarters of 1995, down from 71 basis points during the same period last year.

In the first three quarters of 1995, the average spread for OECD borrowers fell to 40 basis points from 67 points in the same period last year. By comparison, the average spread for developing countries has increased from 101 basis points in 1994 to 113 points this year. For central and eastern European countries it has dropped slightly, from 134 basis points last year to 129 points in the first three quarters of 1995, but the number of transactions has been small and the figures may not be representative, the OECD said.

The decline in spreads, spurred in part by strong competition among banks, has been one reason for this year's explosive growth in lending. Moreover, with declining interest-rate swap rates, many issuers have found it difficult to hit funding targets in the eurobond market and have raised syndicated loans instead.

Syndicated credits



Source: OECD/DAF

Another reason for the growth in loan volumes has been heavy mergers and acquisitions activity, which often requires the arrangement of syndicated credits to cover immediate financing needs.

Last, a large number of borrowers have taken advantage of lower margins to refinance existing loans: in the first nine months, refinancing grew by 75 per cent against the previous year while syndicated lending only grew by 57 per cent.

In the first three quarters of 1995, the volume of loans reached $264.7bn, up from $168.9bn over the same period in 1994. Some 88.9 per cent – $235.2bn – came from OECD countries; developing countries raised $24.8bn, up from $18.8bn in 1994. Eastern and central European countries raised $1.2bn, twice the amount recorded in 1994.

Among OECD countries, the US accounted for the lion's share, raising $134.2bn in loans, followed by the UK, where borrowers signed loans worth $22.6bn. These credits were related largely to mergers and acquisitions, a development that seems to be spreading to continental Europe.

"An interesting feature was the sharp increase in recourse to the international syndicated loan market by continental European companies, which had tended to prefer domestic loans over international loans in the recent past," the OECD said. French borrowers raised $10.8bn of loans in the first three quarters of 1995, up from $4.2bn last year; and in Germany, $7.1bn in loans was raised, against $0.3bn.

Elsewhere, bankers are awaiting details of the £2.5bn three-year multi-currency revolving credit facility to help finance Granada's offer for Forte, the hotel group.

The facility is being arranged by ABN Amro Bank, Barclays Bank and Chemical Bank, which declined to comment on the interest rate Granada will be paying. Other bankers suggested that, as the loan would back a hostile bid, Granada might have to pay a significant premium over the £630m facility it arranged this year at 18.75 basis points over Libor.

Glencore, the Swiss trading and industrial group, last week established a $900m three-year revolving credit facility, with Chase Investment Bank, J.P. Morgan and Union Bank of Switzerland acting as arrangers. The facility – Glencore's first transaction in the international loan market – will be used for general corporate purposes, the company said.

Conner Middelmann

Nordic government bonds

Moving away from the high-yield camp

International investors tend to rank Swedish and Finnish government bonds as among the riskier class of European assets – but developments over the last few months are providing grounds for a change of view.

An increasing number of traders are beginning to view the Swedish and the smaller Finnish market as "quasi-core". They are seen as having as much in common with the safer, lower-yielding "core" European markets, like Germany and France, as the higher-yielding southern markets, such as Spain and Italy.

Underpinning this view has been a sharp contraction in the yields of the two countries' long-term bonds. Last week, buoyed by an appreciating currency, Swedish bonds strongly out-performed German bunds, with the yield differential falling by 19 basis points.

Since August, the 10-year yield spread has fallen from around 350 basis points to 256 points. Mr Ken Wattret of HSBC Markets says that in the first nine months of the year, Sweden's out-performance closely matched that of other European high-yielders. Since September though, this "relationship has decisively broken. Sweden has moved away from the high-yielding camp."

Finland's progress has been even stronger, with the yield spread between its nine-year bond and German bunds falling from 425 basis points in August 1994 to 110 points last week, a level lower than that of Denmark, which is considered a core European market.

Investors have been impressed by the countries' progress in reducing inflation (Finland's at 0.3 per cent is the lowest in Europe), fiscal deficits and indebtedness and are already increasing their exposures to both markets.

Lehman Brothers says 20 per cent of 47 fixed income portfolio managers it surveyed are now overweight in Sweden against 13 per cent last month and 48 per cent are neutral in Finland, up from just 24 per cent last month.

Cuts in short-term interest rates could now trigger further out-performance. The Swedish central bank has held its repo rate constant since early July, but with the krona at an 18-month high and real short-term interest rates 1 per cent higher than those in Italy, it has scope to reduce rates.

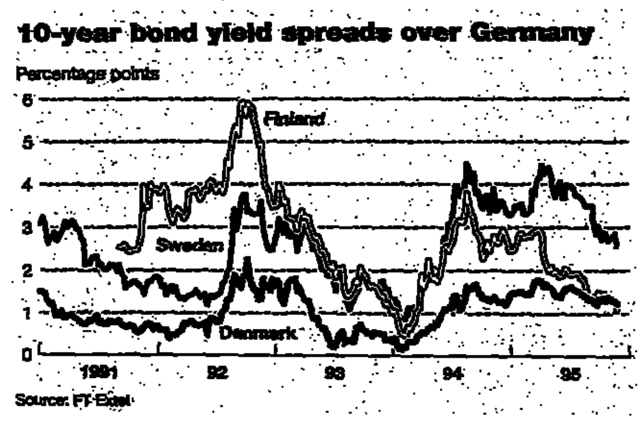
The possible entry of the krona and the markka into the European exchange rate mechanism could also prompt interest in the countries' bonds. "Both Sweden and Finland are ERM-bound sooner rather than later. We'll see momentum build as that notion hits the market," says Mr David Brown at Bear Stearns.

Nonetheless, there are grounds for caution. Analysts say the rapid movements in yield spreads over the past five years reflects the relative openness and vulnerability of both economies. Mr Mark Cliffe of HSBC Markets argues that currency appreciation could begin to constrain exports, which have been an important factor in recent economic growth, especially in Sweden.

And both economies could prove vulnerable to the economic slowdown increasingly evident elsewhere in Europe. "There are far too many political and economic risks. For people who haven't been in Sweden, it is too late to be moving in," adds Mr Cliffe.

Richard Lapper

10-year bond yield spreads over Germany



Source: FT Extel

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
SMM Company, Tranche A‡	200	Nov.1998	(c)	100.15	-	-	JP Morgan Securities
Swedbank(d)§	125	undated	(d1)	100.87	-	-	Morgan Stanley Intl.
Kingdom of Sweden(e)§★	2bn	Mar.1999	4.50§	98.084	5.08	-	Yamaichi Intl.(Europe)
KfW International Finance	400	Dec.2000	5.75	99.32R	5.911	+18(5¾%-00)	Deutsche/ Merrill Lynch
EBRD★	100	Jan.2001	5.23§	100.00	5.230	-	Waiko Intl. (Europe)
CE Casecnan Water(f)‡	75	Nov.2002	(f1)	100.00	-	-	CS First Boston
Banco de Galicia	50	Dec.1997	10⅞§	100.00R	10⅞	+545(5⅞%-97)	Chase Investment Bank
Gleneagles Funding(k)‡	450	Dec.2002	(k1)	100.00	-	-	Nomura International
Helaba Finance(i)	200	Dec.1998	5.75	99.801R	5.807	+8(l)	IBJ International
Mitsubishi Finance Intl.(m)‡	58	Nov.2005	(m1)	100.30	-	-	Mitsubishi Finance Intl.
D-MARKS							
Republic of Venezuela	500	Dec.1998	10.00	100.00R	10.00	-	Commerzbank
Argentina Global Finance	500	Dec.2000	5.50	99.413R	5.638	+52(5¾%-00)	Paribas/ WestLB
Republic of Argentina(n)	250	Nov.2002	10.50	99.50R	10.60	+465(7¼%-02)	CSFB-Effectenbank
CLF Hypo. Bodenkr.‡	150	Jan.2003	(t)	100.08	-	-	DG Bank
Province of Buenos Aires	150	Dec.1998	10.00	99.75R	10.10	+565(5%-98)	Salomon/ WestLB
KfW (u)	125	Dec.2001	5.00	101.945	-	-	Morgan Stanley (F'furt)
YEN							
NPC of the Philippines(o)★	12bn	Dec.2015	4.65§	100.00R	4.650	+109(JGB 30)	Nomura Intl. HK
DSL Bank	30bn	Dec.2001	2.25	100.00R	2.250	-	Nomura Intl.
SWISS FRANCS							
Mitsui High-Tec(a)◊★	120	Nov.1999	0.75	100.00	-	-	UBS
Marubun Group Co.(b)★◊	55	Dec.1999	0.50	100.00	-	-	Nomura Bank(Switz.)
SMM Company, Tranche B‡	45	Nov.1998	(c)	100.15	-	-	JP Morgan(Switzerland)
JP Morgan & Co.	200	Jan.2003	3.75	102.40	3.380	-	del Gottardo/ Zürcher
STERLING							
Prospect 2, Tranche A(g1)‡	172	Nov.2005	(g2,s)	99.875R	-	-	BZW
Prospect 2, Tranche B(g3)‡	13.7	Nov.2007	(g4,s)	100.00R	-	-	BZW
Prospect 2, Tranche C(g3)‡	6.85	Nov.2010	(g5,s)	100.00	-	-	BZW
Compassion Services Grp.(p)	50	Nov.2002	10.00	99.985R	10.00	+225(8¾%-02)	Bankers Trust Intl.
BAT International Finance	200	Dec.2005	8.50	99.529R	8.572	+67(8½%-05)	BZW/ UBS
GanFinance Lux.(l,l)	100	undated	9.00	99.898R	9.045	+120(8½%-05)	JP Morgan Securities
GUILDERS							
Bayerische Landesbank	500	Dec.2005	6.50	99.785R	6.530	+17(6¼%-05)	ABN Amro Hoare Gott.
BNG	500	Dec.2002	6.00	99.66R	6.061	+12½(l)	ABN Amro/ SBCW
SHV Makro(q)	75	Jul.2006	7.25	102.83	6.830	+55(7¼%-05)	ABN Amro Hoare Gott.
FRENCH FRANCS							
Cofinoga‡	1bn	Jun.1997	(a)	100.005R	-	-	CCF
Auxerre	942	Dec.2003	6.9	99.28R	7.020	+30(6¾%-03)	Societe Gen./ CCBP
BLG	1bn	Mar.2006	zero	49.648R	-	-	CDC
LUXEMBOURG FRANCS							
ING Bank	2bn	Dec.2005	7.125	102.45	6.780	-	BGL/ BIL
Ford Credit Europe	2bn	Dec.2000	6.25	102.70	5.616	-	Crédit Européen
Paribas International Finance(j)	2bn	Mar.2004	7.00	100.55	6.90	-	Banque Paribas Lux.
Deutsche Bank Finance(s)	2bn	Dec.2003	6.50	102.45	6.10	-	BGL
Kredietbank Luxembourg	2bn	Jan.2001	6.00	102.70	5.370	-	Kredietbank Lux.
Société Générale, Paris	2bn	Dec.2005	7.25	102.80	6.854	-	Crédit Européen
ITALIAN LIRE							
Abbey Natl.Trsy.Services	150bn	Dec.1997	10.50	101.105	9.864	-	SBC Warburg
ECUS							
DSL Bank	55	Dec.1998	6.25	101.38R	5.740	-	ABN Amro Hoare G'vett
AUSTRALIAN DOLLARS							
National Australia Bank	125	Jan.1999	7.75	101.26	7.268	-	ABN Amro Hoare Gott.
CANADIAN DOLLARS							
Farm Credit Corporation(f)	100	Jan.1999	6.25	98.875R	6.694	-5(6%-98)	Hambros Bank
SOUTH AFRICAN RAND							
Commerzbank Overseas Fin.	250	Jan.2001	14.0	101.875	13.46	-	Hambros Bank
DANISH KRONER							
Norddeutsche Landesbank	400	Jan.2002	7.00	101.85	6.657	-	Kredietbank
Sacob Overseas(s)	400	Nov.2002	7.50	102.20	7.09	-	Kredietbank
PESETAS							
European Investment Bank	15bn	Dec.2005	10.35	101.45	10.11	-	BSN
European Investment Bank(j)	10bn	Oct.2000	10.125	101.685	9.685	-	BSN
DRACHMAS							
European Inv'ment Bank(q)‡	25bn	Mar.2000	(q1)	100.00	-	-	ABN Amro Athens

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. §Semi-annual coupon and yield. R: fixed re-offer price. a) Denom: SFr50,000 +50 wrts. Exercise price: Y2,870. Fx: 90.64Y/SFr. b) Denom: SFr50,000 +50 wrts. Exercise price: Y1,045. Fx: 90.07Y/SFr. Revision of exercise price, effective 22/12/97, max 20%. c) 3-mth Libor +¼%. d) Callable on coupon dates from Dec.02 at par. d1) 6-mth Libor +100bp to Dec.02, +200bp to Dec.05 and +250bp thereafter. e) National Power Corp. Puttable at maturity at par to the [illegible] Development Bank. f) Amortises from 15/11/00: average life 5.85 yrs. f1) 3-mth Libor +300bp. g) Secured by revolving personal loans originated by HFC Bank. Callable on coupon dates from 15/11/98 at par. g1) Expected average life: 4.9 yrs. g2) 3-mth Libor +16bp to 15/11/01 and +50bp thereafter. g3) Expected average life: 6 yrs. g4) 3-mth Libor +40bp to 15/11/01 and +80bp thereafter. g5) 3-mth Libor +50bp to 15/11/01 and +100bp thereafter. h) Spens call provision applies. i) Over interpolated yield. j) Fungible with Pta15bn. Plus 60 days accrued. k) Issuer may extend to Dec.2030 for 7% premium. k1) 6-mth Libor +30bp. l) Long 1st coupon. m) Series 22. Callable on coupon dates from 29/11/95 at par. m1) 6-mth Libor +100bp to 29/11/96 and 8% fixed annual thereafter. m2) Series 24: S25m, 6-mth Libor +80bp to 29/5/96 and 9% fixed annual thereafter, callable on coupon dates from 29/5/96 at par. n) Fungible with DM500m. Plus 28 days accrued. o) 3-mth Fibor +⅛%. p) Oeffentliche pfandbrief. q) Fungible with Dr20bn. q1) 3-mth Athibor -40bp: max 30%. r) 6-mth Libor flat. s) Short 1st coupon. t) Callable on 5/1/06 and every 5 yrs thereafter at par. If not called, coupon is reset to yield 270bp over the then 5-yr gilt. u) Fungible with Fl 250m. Plus 142 days accrued. v) Call at par after 3 yrs, after which the coupon pays 7%. Note: Yields are calculated on ISMA basis. B.5.

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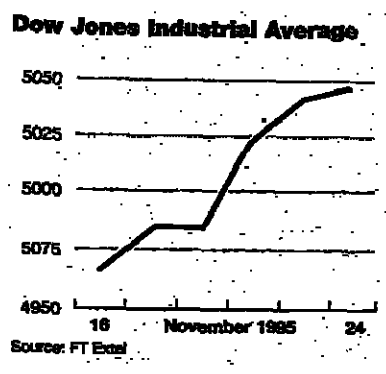
EQUITY MARKETS: This Week

NEW YORK

Lisa Bransten

Investors look for clues from spending data



When the Dow Jones Industrial Average pushed through the 5,000 mark last Wednesday it set off a wave of speculation on Wall Street about whether or not blue chip shares could hold on to the astonishing gains made so far this month.

Much will depend on how investors view the economic prospects for the end of this year and the beginning of 1996. As the holiday shopping season begins in earnest this week, investors will be watching for retail sales indicators to see if growing consumer demand will help spur the economy.

Tomorrow's figures on November consumer confidence should provide some concrete signals about how much holiday shoppers are willing to spend.

Economists from Salomon Brothers expect sentiment to increase by 2 points to 99. Wednesday brings figures on October durable goods orders, which economists think will have slowed moderately after rising by 5.1 and 2.9 per cent in August and September.

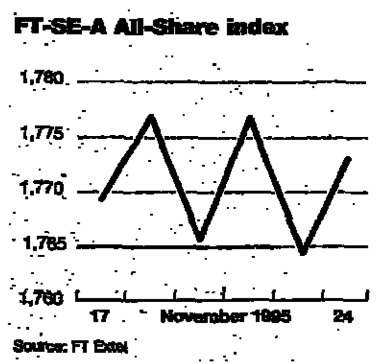
Also important this week will be Friday's figures on manufacturing activity from the National Association of Purchasing Management. Economists are looking for the index of activity to have increased to more than 48 in October from 46.8 in September.

Another influence on shares will come from the bond market, which could be bogged down with new supply to come from auctions of *two-year* and five-year notes tomorrow and Wednesday.

LONDON

Steve Thompson

Dealers braced for news from the Budget



This could be a make-or-break week for the UK equity market, as investors brace themselves for tomorrow's Budget news. All the signals recently have pointed to tax cuts, balanced with public spending reductions; but too much of a "give-away" Budget could frighten institutional investors.

Dealers have been quick to point out that this could be the last Budget from the present government before a general election takes place. A reduction in interest rates would be very well received in the stock market and might well be followed by a cut in German rates when the Bundesbank meets on Thursday.

Whatever rabbits the chancellor pulls out of the hat, there are still powerful forces responsible for driving the main stock market indices to record levels recently. *The most potent of these is* the continuing emergence of takeover bids; last week saw Granada launch a hostile £3bn-plus bid for Forte, the hotels group, and Lyonnaise des Eaux make its long-awaited offer for Northumbrian Water.

The market's surge to its present lofty perch has not occurred without some painful setbacks, however, from profit warnings and disappointing earnings reports.

There is plenty of scope for disappointment in the week's company news list. Six FT-SE 100 companies are *scheduled to report, including Hanson,* Grand Metropolitan, Royal Bank of Scotland and Argyll.

OTHER MARKETS

PARIS

In spite of the market's forward progress on Friday, investor sentiment continues to be plagued by industrial action being taken by unions in protest at the government's proposed reforms of social welfare, *writes John Pitt.*

The country's biggest unions have called a general strike for tomorrow. But the other main pressure comes from growing evidence that economic growth is slowing.

On Wednesday analysts will be scrutinising third-quarter statistics, which are expected to confirm this trend. Kleinwort Benson argues that the franc could well come under pressure once more, leading to a rise in short rates.

ZURICH

There is little in the way of corporate news this week to spur the *market on to even* greater heights, but that may not prove an impediment.

Zurich has been on the upward track since April, with barely a backwards look, reaching a series of all-time highs on the final three sessions of last week.

The market's sharp upward progress in the autumn was attributed to a strong inflow of *German funds, seeking a safe* haven as doubts emerged about the outlook for the D-Mark after the implementation of a common European currency.

More recently, domestic pension funds and financial institutions have been making the running. They have, by *law,* to make a return of 4 per cent a year.

But with the yield on the *long bond now below that* level, and a depressed property sector, the funds have increasingly turned their attention to equities. Many analysts believe they will continue to do so, at least until the end of the year.

FRANKFURT

Hopes are rising that further interest rate cuts could be on the *agenda* for Thursday's Bundesbank council meeting. In London, James Capel says a *moderate M3 release for* October should be the last piece in the Bundesbank's interest rate-cutting jigsaw.

"The recent real economy data have certainly been weak enough to justify a rate cut, while inflation remains well below the central bank's 2 per cent medium-term inflation target."

Capel adds that the only possible reason to wait would be the current gap between the repo and discount rate. However, the broker still believes that there is a high chance of a ½ percentage point cut in the discount rate at the meeting.

On the corporate front, Lufthansa publishes third-quarter results for the first time today.

MILAN

Eni, the energy and chemicals giant whose share sell-off represents the largest ever state asset sale in Italy, makes its trading debut in Milan, New York and London tomorrow.

The authorities are doing their best to ensure that the issue is a success. The treasury has allocated fewer shares to retail and institutional investors than originally hoped to try to ensure the offering finds good demand when trading begins.

In an effort to avoid technical glitches, the stock exchange regulator, Consob, is to split initial trading in Milan into four brief sessions a day when the shares make their debut.

The shares were priced at the bottom of the previously established L5,250–L6,000 range to promote a strong after-market. *While the* response to the offering was, at best, lukewarm from Italian retail investors, stung by losses in previous state sell-offs, demand from institutions has been strong. In the London unofficial grey market last week, the shares were quoted around L5,350.

Meanwhile, on Thursday, the stock exchange council will announce the new composition *of a revised blue chip Mib 30* index, which is expected to include Eni. Weightings will not be known until December 20, the day before the new index becomes effective.

HONG KONG

A spate of volatility towards the end of the week, when November futures expire, could spice up what otherwise *looks likely to be another dull* trading period, with support sealed at 9,300 but the upside constrained by a lack of demand, *writes Louise Lucas.*

A growing band of securities houses is going into the new year with an underweighting in Hong Kong.

Salomon Brothers says it was nudged into its recent cut in allocations by the market's rebound towards 10,000, which unwound the earlier oversold position, and by progressive reductions in earnings growth estimates.

Looking ahead, the brokerage sees *the index* falling to 9,000 and rising to about 11,000 by the end of 1996 – a level far short of the 12,201 peak reached in January 1994.

A clutch of small companies report interims in the week. On Thursday it is the turn of Wheelock and Company, the property and retail group.

TOKYO

The market is braced for further selling by foreign investors, who have been the main pillar of activity this year, *writes Emiko Terazono.*

Overseas investors have started taking profits on their high-technology stock holdings ahead of the year-end account settlements, and were net *sellers during the week of* November 13–17 for the first time in four weeks.

While some foreigners are turning to cyclicals, including steels and other material stocks, buying in such sectors is unlikely to offset selling in semiconductor related issues and electricals, which have led the market's rise since the start of the business year.

Compiled by Michael Morgan

International offerings

Grupo Sol Meliá a prime candidate for flotation

As the cold winter approaches, who could turn down the invitation to fly off to Spain to arrange the flotation of Grupo *Sol Meliá, the country's largest* hotel company?

Although Grupo Sol has yet to make a decision on whether to go public, a flotation sometime next year is certainly on the cards. A spokesman said the company would come to the "final consulting stages" in February or March.

Eight banks, four American and four European, submitted their written submissions to Grupo Sol last week. Given the overwhelming investor response in recent months to initial public offerings by *consumer-oriented companies,* namely Adidas and Gucci, the competition to win this mandate will be stiffer than usual.

Grupo Sol has an interesting investment case for international investors who are sick of hearing about telecoms companies or European privatisations. It is a family-owned company *which is now in need of* outside shareholders to finance its transition from a Spanish hotel chain to a fast-growing international concern.

It would also be the first hotel chain to list on the Madrid stock exchange, thus giving investors exposure to Spain's buoyant tourism industry for *the first time.*

Founded in 1956 by Mr Gabriel Escarrer, the company's chairman and owner, Grupo Sol has left behind its origins as a provider of cheap "sun and sangria" package holidays to north European tourists.

Although it is still based on the holiday island of Majorca, the birthplace of Mr Escarrer, the company now manages 182 hotels *in 22 countries,* from Latin America to the Far East.

With annual turnover running at more than $1bn, it has become Europe's third-largest hotel chain and it is continuing its efforts to establish its brands at the more exclusive end of the market.

Its core operation is still in Spain, where 65 per cent of its hotels are based, but its future growth lies abroad and in business *travel* rather than mass-market tourism. Analysts also believe that Grupo Sol would *rather concentrate its* resources on hotel management than on owning the hotels themselves. Currently, the company owns about 67 per cent of its hotels.

"We are trying to escape from bricks and mortar – we would prefer to be hoteliers," said Mr Angel Palomino, exec*utive vice-president of Grupo* Sol at the annual European hotel industry conference held recently here in London.

He also told delegates that the company planned further geographic diversification by expanding its management and franchise contracts.

This vision has raised some questions about what the company will ultimately choose to do. Analysts say one option for *Grupo Sol is to float off the* ownership of the hotels and fund the expansion of its management operation with the proceeds.

On the other hand, the tourist hotels, built at a low price some 20 or 30 years ago, are now cash-cows which could also fund the expansion, in which case a straightforward flotation would be more likely.

It is not yet clear how much *of the company will be put up* for sale. Since it has been built up and is owned by one man, *bankers expect only a minority* stake to be sold off in the first instance. However, some sort of capital increase is envisaged to allow the company to reduce debt.

Valuing the company is also expected to be quite an elaborate task, in view of its mixture of agreements. However, *Granada's bid for Forte in the* UK should provide some useful comparisons.

Banks which fail to get a role in Grupo Sol's flotation should not despair for long because other Spanish hotel chains are considering similar capital-raising exercises. NH Hoteles, Spain's fifth-largest hotel chain, could be a candidate as could the state-owned Paradores de Turismo.

● *The outlook for the primary* market must be bullish if syndicate managers leave before collecting their annual bonuses!

Salomon Brothers has poached Mr John St John and Mr Michael Lavelle from Kleinwort Benson as part of its drive to become an equity house. The pair start in January.

Antonia Sharpe

Tourism has always been a crucial sector in Spain's economy, making up broadly 8 per cent of its gross domestic product (GDP), Pilar Junco writes. Some even venture to call it the most *important sector in the country, but as it is not very well* defined, it is difficult to establish how much it contributes to Spanish GDP.

After the US and France, Spain ranks third in the World Tourist Organisation tourist destination list and its tourism receipts in 1992 were around Ecu16.2m. Spain received 61.4m tourists in 1994, 6.5m from Britain, according to the Spanish commerce and tourism ministry, a number that almost doubles the Spanish population. Of these, 42 per cent stayed in hotels or hostels on average for about two weeks.

In the the 1960s and 1970s, tourists travelled to Spain for the beach, sun and sangria at cheap prices, but in recent years the sector has recognised the need to widen its range of hotels to meet the expectations of a new generation of visitors. Major efforts still have to be made to meet European quality standards, reduce environmental and ecological damage and improve general infrastructure.

In the late 1980s the sector suffered a setback due to new **competition from Greece, Turkey and Italy. It was not until the devaluation of the peseta in 1992 and 1993 that tourism revived and 1994 was a record year for tourism in Spain.**

Salomon Brothers expects net international tourism receipts to rise by about 10 per cent this year and to continue to exceed the trade deficit.

EMERGING MARKETS: This Week

The Emerging Investor / **Peter Montagnon**

Looking at a dead cat bounce in Asia

Good news on Wall Street is nowadays bad news for Asia, it seems.

Brokers *in the region have* learned the hard way that the successive records notched up by the Dow Jones index this year were keeping money locked up in the US as investors had little incentive to look further afield.

But with the Dow having *broken comfortably* through the 5,000 level, they are again asking how soon it will be before it peaks, and investors start *looking for brighter prospects* elsewhere.

In theory, Asia should be an obvious place for them to turn: growth rates are still high compared with the older industrial world and, while valuations on Wall Street look overstretched, many in Asia are looking cheap given the poor perfor*mance of most* of the region's markets this year.

The snag is that it is so hard to *predict* the timing.

The slight upturn in many Asian markets last week could be a sign of a change in sentiment, but few analysts are sanguine in the short term. Most say it bears the hallmark of *what the jargon* unflatteringly calls a "dead cat bounce".

Mr John Mulcahy of UBS Securities(Hong Kong) says last week's recovery was a pure technical rebound. "I don't think we're seeing recovery from the bottom. *The fundamentals are still stacked* heavily against the region."

One does not have to look far to see what he means. A number of markets have been wrestling with their own local prob*lems over the past month.*

In Thailand, where one investor shot himself, the government has had to mount a rescue operation to try and drive share prices up. Indonesia has had to grapple with the disappointing response to the Telkom flotation.

Share prices in the Philippines have *slid amid worries* about the impact on the economy of recent storm damage as well as doubts over the government's ability to control inflation and pursue its economic reform programme. The corruption scandal in South Korea has undermined confidence as several large companies were *accused of bribery.*

To some extent these developments might be regarded as just unfortunate coincidence. The South Korean scandal should do little to alter the relatively strong earnings prospects which were buoying the market before it broke, but elsewhere in the region there is a unifying theme.

Governments in many Asian countries are still coping with the consequences of economic overheating.

Thus, with real interest rates in Thailand standing at some 6 per cent, there *is little incentive* for local investors to add to their equity holdings.

Most economists believe that brakes will have to remain on for a while longer in several countries. So, markets like Thailand and Malaysia may *have further to fall before they* finally recover. Indonesia will take time to digest the Telkom debacle. Most analysts are reluctant to make direct comparisons between the Philippines and Mexico, not least because its current account position is not as bad, but it will clearly take several *months before the government* can restore confidence in its policies.

As *for* US investors, they remain "cautious" according to Mr Timothy Moe of Salomon Brothers in Hong Kong, who adds *that they will be selective* when they do eventually return.

"Why should they take an emerging market risk when they have been able to get such a good return in their own market?" says Mr Peter Churchouse of Morgan Stanley.

Looking ahead, most assume *that sentiment will change in* the course of 1996 – but it will almost certainly take an influx of international money to get things moving again. For that to happen, US investors must have decided that the bull run on Wall Street really must be *coming to the end of the road,* so that it is necessary to look for better returns elsewhere.

A budget deal between President Clinton and the US Congress would also help if it allowed US interest rates to *fall again* and the *dollar* began to strengthen. Both those developments would ease some *of* the strains on the overheated countries of Asia, but most agree that the first market to benefit would be Hong Kong.

Not only is it the most liquid in the region, but Hong Kong *also responds* much more immediately to the trend in US interest rates because of its direct currency link with the US dollar. Indeed, its relatively strong performance this year – it is up over 20 per cent since January despite the pronounced weakness of the local economy – partly reflects its *correlation* with the US bond market. Hong Kong also stands to gain from the slow-down in the Chinese economy which should allow some relaxation of credit there.

But there is some disagree*ment over the extent to which* the Hong Kong market is actually cheap. Mr Moe of Salomon Brothers expects more positive news on earnings. "We're more likely to see upgrades than downgrades as we move into 1996." Morgan Stanley's Mr Churchouse says that Hong Kong shares are on a prospective earnings multiple just below 10 per cent. That makes them cheap, especially since *they* are also trading on a multiple of just 1.7 times book value compared with a peak of 3.3 times in late 1993 and early 1994.

Mr Mulcahy of UBS is somewhat more cautious, putting the prospective multiple closer to 11 times. That is hardly expensive, he says, but the Hong Kong market is likely to be heavily driven by the property market and that is still not showing signs of a significant recovery.

Ironically, many international investors have been *underweight in Hong Kong* relative to the region this year and have therefore missed out on its relative strength. The risk is that they could lose out again if they remain so.

While Singapore has displayed its traditional defensive characteristic – outperforming in the downturn and underper*forming in the upturn* – Hong Kong's liquidity has always made it one of the first to respond to changes in international sentiment. But it may be some months yet before such a change in sentiment occurs.

ASIA/PACIFIC				
Country	Mkt cap/$bn	eps/95	pe/95	pe/eps 95
China	46.5	11.9	10.3	0.87
Indonesia	54.7	28.8	14.1	0.49
Malaysia	232	10.0	19.7	1.97
Philippines	61.2	28.5	17.2	0.60
Thailand	150.8	14.8	18.7	1.26
S.Korea	188.1	22.4	11.9	0.53
Taiwan	172.3	16.0	17.2	1.07

Source: UBS

News round-up

■ Africa

Framlington, the UK fund management company owned by CCF, the French banking group, is launching a closed-end fund to invest in Franco*phone Africa, writes Joel Kibazo.*

The West Africa Growth Fund will be listed in Luxembourg and capped at $40m. Initial investors include the IFC and Caisse Française de Developpment, the French development bank, which are investing $14m.

The fund will invest primarily in newly privatised companies, as well as private and listed companies in the 13 West African countries in the CFA franc zone. However, Framlington said a majority of the portfolio will be invested in Ivory Coast, Senegal, Cameroon and Congo, with priority given to joint ventures with companies from French speaking countries.

Framlington already has a $30m fund for Morocco and Tunisia.

■ Latin America

Salomon Brothers has added Brady *bonds to its portfolio,* believing the region's equity markets will perform unspectacularly in the early part of 1996, which should encourage interest in debt instruments. It also moved its allocation in Brazil down to 37 per cent from 42 per cent. This is "due to slower-than-expected progress on fiscal reforms and the expectation that interest rates will drop more slowly in 1996. We nevertheless remain positive on Brazil for later in 1996."

Baring Asset Management believes that growth will pick up next year in the region. Baring favours Argentina and Mexico, while Chile is also favoured "given the virtuous combination of strong growth, political stability and reasonable valuations".

■ Romania

The state ownership fund will issue a list of 200 companies in which it plans to sell 40 per cent next month as part of the privatisation programme.

The 200 companies would be *selected from 3,905 listed for* sale on profitability criteria and will cover all economic sectors.

Under the scheme 17m Romanians can get up to 60 per cent of those companies in exchange for privatisation paper. The rest will be put up for sale for cash.

■ Mexico

Bear Stearns has raised projections for growth and inflation in Mexico in 1996. However, the US investment bank lowered *its growth forecasts.*

The growth estimate for 1996 was raised to 2.9 per cent from 1.0 per cent, reflecting growth in consumption and investment.

On inflation, it raised its forecasts to 52 per cent from 45 per cent, saying this assumed an 80 per cent pass-through of currency weakness into inflation over two years.

■ Russia

The Russian Federal Property Fund is auctioning 4 per *cent of the KomiTek oil* company between November 29 and December 29. The state will retain 51 per cent; the rest will be sold at auctions and investment tenders.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

Baring Securities emerging markets indices

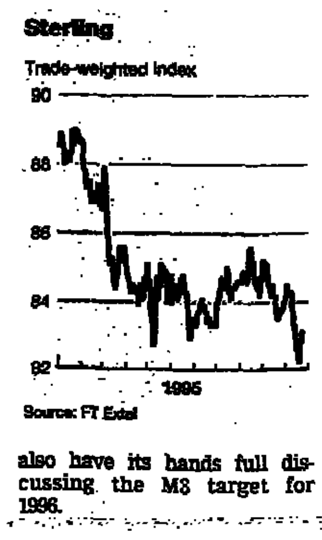
Index	24/11/95	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (360)	139.05	+4.26	+3.16	-6.62	-4.54	-18.98	-12.01
Latin America							
Argentina (23)	82.97	+6.79	+8.92	+7.87	+10.48	-3.14	-3.65
Brazil (22)	179.32	+6.60	+3.82	-17.39	-8.84	-30.05	-14.35
Chile (15)	180.22	-0.82	-0.45	-14.03	-7.72	-31.35	-14.82
Mexico (24)	67.72	+7.79	+13.01	-0.39	-0.57	-29.91	-30.63
Peru (15)	950.26	+83.04	+9.58	-62.11	-6.13	+101.60	+11.97
Latin America (99)	114.68	+6.95	+6.45	-4.72	-3.96	-24.09	-17.36
Europe							
Greece (20)	95.21	-1.17	-1.21	-9.35	-8.95	+8.22	+9.45
Portugal (23)	114.72	-0.68	-0.59	-4.58	-3.84	-1.56	-1.34
Turkey (21)	94.05	-1.04	-1.09	-16.34	-14.80	+17.94	+23.57
Europe (97)	117.93	-0.91	-0.77	-0.81	-0.68	+20.23	+20.71
Asia							
Indonesia (32)	130.59	+2.87	+2.25	-16.26	-11.07	-3.10	-2.32
Korea (23)	145.19	-0.14	-0.10	-8.95	-5.80	+5.30	+3.79
Malaysia (22)	211.21	+6.58	+3.22	-7.45	-3.41	+0.35	+0.16
Pakistan (16)	66.05	-3.08	-4.46	-14.99	-18.50	-40.14	-37.80
Philippines (15)	231.42	+8.31	+3.72	-29.21	-11.21	-50.71	-17.97
Thailand (26)	240.27	+6.04	+2.58	-11.84	-4.70	-11.37	-4.52
Taiwan (31)	115.77	-0.34	-0.29	-13.52	-10.46	-68.38	-37.13
Asia (163)	191.06	+3.55	+1.89	-13.84	-6.76	-19.56	-9.29

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCY MARKETS

Philip Gawith

Markets eye Clarke and Buba



It would be difficult for foreign exchange markets to repeat the soporific pattern of last week, and the British *budget* tomorrow and the Bundesbank council meeting on Thursday *should be sufficient* to ensure that they do not.

Sterling performed much more *steadily* last week after sinking to a historic low against the D-Mark, and on a trade weighted basis, the previous week.

This was the result of a shift in market sentiment towards the view that Mr Kenneth Clarke, the chancellor, will probably deliver a fiscally responsible budget.

Markets had earlier been concerned that Mr Clarke would be tempted to dispense with fiscal prudence in a reckless effort to try and bolster the government's flagging political fortunes.

Some *recent investor surveys* have found that companies, investors and interbank participants are all slightly underweight sterling.

This would suggest that UK assets and sterling may well attract investor support if the budget is well received.

Whatever happens to sterling is likely to be a fairly localised matter.

But the decision of the Bundesbank council could well have wider ramifications. A cut in German interest rates could be expected to unleash a wave of concerted *cuts from other* European countries.

It could also fuel a further rally in currencies like the Swedish krona and the peseta, not to mention sterling and the French franc.

It is less likely to have an impact on the dollar, which is labouring under the pall of the budget imbroglio in the US.

The argument in favour of an early cut in German rates is based on the view that if the council wishes to cut this year, it will need to do so this week. *The only other option it will* have is at the December 14 meeting.

Action there is considered unlikely because it is too close to the European Union summit in Madrid, and the council will also have its hands full discussing the M3 target for 1996.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 24 / Sch)

BELGIUM/LUXEMBOURG (Nov 24 / Frs.)

CZECH REP (Nov 24 / Koruna)

DENMARK (Nov 24 / Kr)

FINLAND (Nov 24 / Mks)

FRANCE (Nov 24 / Frs)

GERMANY (Nov 24 / Dm.)

GREECE (Nov 24 / Drachmae)

ITALY (Nov 24 / Lira)

NETHERLANDS (Nov 24 / Fls.)

NORWAY (Nov 24 / Kroner)

POLAND (Nov 24 / Zloty)

PORTUGAL (Nov 24 / Escudo)

SPAIN (Nov 24 / Pts.)

SWEDEN (Nov 24 / Kronor)

SWITZERLAND (Nov 24 / Frs.)

TURKEY (Nov 24 / TL Lira)

PACIFIC

JAPAN (Nov 24 / Yen)

AUSTRALIA (Nov 24 / Aus$)

HONG KONG (Nov 24 / H.K.$)

INDONESIA (Nov 24 / Rupiah)

MALAYSIA (Nov 24 / MYR)

NEW ZEALAND (Nov 24 / NZ $)

SINGAPORE (Nov 24 / S$)

SOUTH KOREA (Nov 24 / Won)

TAIWAN (Nov 24 / TW $)

THAILAND (Nov 24 / Baht)

NORTH AMERICA

CANADA

TORONTO (Nov 24 / Can $)
4 pm close

MONTREAL (Nov 24 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Nov 24 / Rand)

INDICES

	Nov 24	Nov 23	Nov 22	1995 High		1995 Low	
Argentina							
General (29/12/77)	14563.57	14676.07	14441.30	16831.10	2/1	9831.00	9/3
Australia							
All Ordinaries(1/1/80)	2150.9	2150.7	2147.6	2186.00	18/9	1822.30	8/2
All Mining(1/1/80)	989.6	992.8	991.3	1029.50	7/8	796.30	6/2
Austria							
Credit Aktien(30/12/84)	339.92	340.31	342.40	386.42	2/1	328.56	27/10
Traded Index(2/1/91)	924.05	923.54	929.86	1088.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1466.01	1464.43	1466.50	1481.38	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	40816.0	41910.0	41058.0	48812.00	19/9	21382.00	9/3
Canada							
Metals Minls(1975)	5241.60	5266.37	5246.89	5286.37	23/11	3806.63	1/3
Composite (1975)	4672.04	4672.30	4658.85	4710.30	12/7	3881.41	30/1
Portfolio (4/1/83)	2294.71	2295.09	2285.48	2307.81	12/7	1953.36	30/1
Chile							
IGPA Gen(31/12/80)	5634.5	5609.3	5661.5	6063.10	11/7	4576.80	9/3
Denmark							
CopenhagenSE(3/1/83)	356.04	358.48	356.37	378.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1848.00	1830.09	1813.89	2332.22	14/9	1593.30	29/3
France							
SBF 250 (31/12/90)	1248.56	1234.28	1237.83	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1890.95	1867.11	1875.47	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	788.92	788.46	788.93	846.76	19/9	706.87	30/3
Commerzbank(1/12/53)	2230.0	2279.0	2281.2	2427.80	19/9	2018.70	30/3
DAX (30/12/87)	2198.16	2192.25	2193.25	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	874.47	880.33	866.29	982.38	4/8	787.16	16/3
Hong Kong							
Hang Seng(31/7/64)	9488.75	9505.67	9501.61	10032.98	17/10	6967.93	23/1
Japan							
Topix (4/1/68)	1442.08	(c)	1445.06	1583.49	4/1	1193.16	13/6
2nd Section (4/1/68)	1875.14	(c)	1875.18	2138.68	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	922.41	929.03	935.00	1095.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(c)	2570.55	2534.69	2822.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGenEnd 83)	508.3	505.0	504.5	511.80	19/9	422.80	23/3
CBS All Shr (End 83)	307.8	305.8	305.5	311.10	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2152.89	2140.10	2143.22	2208.02	20/10	1981.43	5/1
Norway							
Oslo SE Ind(2/1/83)	1236.77	1230.31	1233.47	1282.16	18/10	1036.00	10/3
Philippines							
Manila Comp (2/1/85)	2325.12	2319.35	2268.33	2868.12	10/7	2196.46	20/11
Portugal							
BTA (1977)	2440.2	2438.5	2412.9	2911.80	9/1	2412.90	22/11
Singapore							
SES All-S'pore(2/4/75)	511.55	512.32	513.07	636.06	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	1286.9	1285.8	1324.6	2023.00	2/1	1258.20	30/10
JSE Ind. (28/9/78)	7627.1	7595.2	7647.1	7715.50	20/11	6222.90	31/1
South Korea							
KoreaCompExt(4/1/80)	944.85	932.58	921.03	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	311.97	308.61	307.92	318.98	13/9	284.06	23/3
Sweden							
AffarsvardnGen (1/2/37)	1738.2	1731.0	1727.9	1872.10	19/9	1430.00	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1471.59	1467.45	1466.45	1471.59	24/11	1174.63	13/3
SPC General (1/4/87)	1100.50	1097.61	1095.64	1100.50	24/11	878.58	13/3
Taiwan							
Weighted Pr (30/6/66)	4586.75	4574.83	4629.77	7051.49	5/1	4503.37	14/8

US INDICES

■ TRADING ACTIVITY

■ NEW YORK ACTIVE STOCKS

INDEX FUTURES

■ TOKYO - MOST ACTIVE STOCKS: Friday, November 24, 1995

	Stocks Traded	Closing Prices	Change on day
Toho Zinc Co	7.1m	670	
NKK Corp	6.8m	281	
Fudo Const	5.3m	1100	+10
Sumitomo Osaka	4.8m	476	+17
Daido Stl Sheet	4.4m	1340	
Mitsubishi Hvy	4.3m	811	+3
Towa Real Estate	3.8m	400	+10
Nippon Steel Corp	3.5m	354	+2
NEC Corp	3.5m	1240	
Hyogo Bank	2.8m	2	

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Nov 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5558	+0.0112	480 - 636	15.5793	15.5213	15.5254	2.3	15.4888	2.3	-	-	106.9
Belgium	(BFr)	45.4661	+0.0809	232 - 090	45.5090	45.3390	45.3811	2.8	45.1861	2.6	44.3811	2.4	109.4
Denmark	(DKr)	8.5618	+0.0053	557 - 679	8.5799	8.5386	8.5541	1.1	8.5376	1.1	8.4751	1.0	109.7
Finland	(FM)	6.5917	-0.0021	861 - 973	6.6080	6.5840	6.5873	0.8	6.5793	0.8	-	-	88.4
France	(FFr)	7.6045	-0.0054	006 - 084	7.6225	7.5957	7.6011	0.5	7.6134	-0.5	7.6101	-0.1	110.8
Germany	(DM)	2.2108	+0.0015	098 - 118	2.2152	2.2038	2.206	2.6	2.1968	2.6	2.1551	2.5	112.0
Greece	(Dr)	364.533	-0.135	353 - 712	366.358	362.138	-	-	-	-	-	-	66.9
Ireland	(I£)	0.9684	-0.002	675 - 692	0.9712	0.9672	0.9676	1.0	0.9663	0.9	0.9631	0.6	97.5
Italy	(L)	2487.60	-1.55	603 - 918	2491.91	2482.83	2494.85	-3.5	2509.75	-3.6	2577.9	-3.6	70.1
Luxembourg	(LFr)	45.4661	+0.0809	232 - 090	45.5090	45.3390	45.3811	2.8	45.1861	2.6	44.3811	2.4	109.4
Netherlands	(Fl)	2.4759	+0.0017	745 - 773	2.4871	2.4685	2.4703	2.7	2.459	2.7	2.4133	2.5	109.5
Norway	(NKr)	9.7611	+0.0262	570 - 651	9.7658	9.7203	9.7487	1.5	9.7269	1.4	9.6514	1.1	98.4
Portugal	(Es)	231.311	+0.337	189 - 432	232.731	230.534	231.851	-2.8	233.071	-3.0	-	-	95.6
Spain	(Pta)	189.278	+0.048	183 - 374	189.682	188.951	189.779	-3.2	190.718	-3.0	195.118	-3.1	81.7
Sweden	(SKr)	10.1568	-0.054	463 - 672	10.2257	10.1448	10.159	-0.3	10.1656	-0.3	10.1689	-0.3	87.9
Switzerland	(SFr)	1.7812	+0.0008	801 - 823	1.7850	1.7775	1.7741	4.8	1.7622	4.3	1.7093	4.0	116.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.0
Ecu	-	1.2006	-0.0015	998 - 014	1.2028	1.1972	1.1996	1.0	1.1975	1.0	1.1891	1.0	-
SDR†	-	1.04050	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5606	-0.002	601 - 610	1.5644	1.5597	-	-	-	-	-	-	-
Brazil	(R$)	1.5058	-0.0014	048 - 064	1.5112	1.5045	-	-	-	-	-	-	-
Canada	(C$)	2.1134	-0.0026	125 - 143	2.1191	2.1119	2.1145	-0.6	2.1165	-0.6	2.1203	-0.3	84.3
Mexico	(New Peso)	11.9831	+0.0585	527 - 134	12.0151	11.9314	-	-	-	-	-	-	-
USA	($)	1.5608	-0.0021	604 - 612	1.5652	1.5589	1.5597	0.8	1.5579	0.7	1.5491	0.7	93.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1154	+0.0016	141 - 166	2.1188	2.1097	2.1167	-0.7	2.1196	-0.8	2.1343	-0.9	84.5
Hong Kong	(HK$)	12.0720	-0.0159	681 - 759	12.1056	12.0658	12.0685	0.3	12.058	0.5	12.0224	0.4	-
India	(Rs)	54.4017	-0.0168	487 - 547	54.5530	54.3470	-	-	-	-	-	-	-
Israel	(Shk)	4.7973	+0.0084	842 - 104	4.8202	4.7835	-	-	-	-	-	-	-
Japan	(Y)	158.179	+0.87	084 - 275	158.710	157.350	157.319	6.5	155.524	6.7	148.479	6.1	141.6
Malaysia	(M$)	3.9678	-0.0002	658 - 694	3.9776	3.9650	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3952	-0.0013	933 - 971	2.4004	2.3932	2.4011	-3.0	2.4104	-2.5	2.436	-1.7	100.5
Philippines	(Peso)	40.9008	-0.0459	747 - 269	41.0008	40.8740	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8541	-0.0078	523 - 559	5.8703	5.8510	-	-	-	-	-	-	-
Singapore	(S$)	2.2050	-0.0013	036 - 063	2.2090	2.2035	-	-	-	-	-	-	-
South Africa	(R)	5.7031	-0.0037	005 - 057	5.7146	5.7000	-	-	-	-	-	-	-
South Korea	(Won)	1200.02	-2.05	964 - 041	1203.33	1199.41	-	-	-	-	-	-	-
Taiwan	(T$)	42.6153	-0.0568	989 - 317	42.7300	42.5982	-	-	-	-	-	-	-
Thailand	(Bt)	39.2339	-0.0249	082 - 595	39.3090	39.2060	-	-	-	-	-	-	-

† Rates for Nov 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	9.9858	+0.0203	841 - 890	9.9780	9.9260	9.9515	1.8	9.9214	1.8	9.8121	1.6	107.0
Belgium	(BFr)	29.1300	+0.09	100 - 500	29.1550	28.9950	29.099	1.7	29.01	1.6	28.71	1.4	108.2
Denmark	(DKr)	5.4855	+0.0108	830 - 880	5.4904	5.4653	5.4853	-0.2	5.482	0.3	5.4915	-0.1	109.2
Finland	(FM)	4.2233	+0.0042	208 - 258	4.2280	4.2120	4.2229	0.1	4.2216	0.1	4.2173	0.1	87.8
France	(FFr)	4.8722	+0.0029	709 - 734	4.8795	4.8575	4.8708	0.3	4.8694	0.2	4.856	0.1	110.3
Germany	(DM)	1.4165	+0.0029	162 - 167	1.4180	1.4095	1.4145	1.7	1.4103	1.7	1.3947	1.5	111.6
Greece	(Dr)	233.555	+0.22	500 - 610	234.300	231.620	235.26	-8.9	238.48	-8.4	251.955	-7.9	68.3
Ireland	(I£)	1.6118	+0.0013	108 - 128	1.6140	1.6084	1.6119	-0.1	1.612	-0.1	1.6186	-0.4	-
Italy	(L)	1593.80	+1.1	320 - 440	1595.00	1588.20	1600.55	-5.1	1612.6	-4.7	1669.8	-4.8	69.5
Luxembourg	(LFr)	29.1300	+0.09	100 - 500	29.1550	28.9950	29.089	1.7	29.01	1.6	28.71	1.4	109.2
Netherlands	(Fl)	1.5863	+0.0032	858 - 868	1.5906	1.5794	1.5837	2.0	1.5786	2.0	1.5586	1.7	109.1
Norway	(NKr)	6.2539	+0.026	529 - 549	6.2549	6.2150	6.2501	0.7	6.2439	0.6	6.2339	0.3	97.8
Portugal	(Es)	148.200	+0.41	160 - 240	148.970	147.400	148.665	-3.8	149.675	-4.0	154.3	-4.1	95.8
Spain	(Pta)	121.270	+0.19	240 - 300	121.400	120.860	121.65	-3.8	122.42	-3.8	125.915	-3.8	81.6
Sweden	(SKr)	6.5074	-0.026	024 - 124	6.5409	6.4980	6.5248	-3.2	6.5614	-3.3	6.7299	-3.4	87.2
Switzerland	(SFr)	1.1412	+0.0016	408 - 416	1.1425	1.1367	1.1376	3.8	1.1315	3.4	1.1037	3.3	115.6
UK	(£)	1.5608	-0.0021	604 - 612	1.5652	1.5589	1.5597	0.8	1.5579	0.7	1.5491	0.7	82.2
Ecu	-	1.3000	-0.0002	995 - 005	1.3061	1.2984	1.3004	-0.4	1.3011	-0.3	1.3034	-0.3	-
SDR†	-	0.68740	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9847	+0.0004	644 - 649	0.9857	0.9840	-	-	-	-	-	-	-
Canada	(C$)	1.3541	+0.0002	538 - 543	1.3547	1.3534	1.3558	-1.5	1.3588	-1.4	1.3711	-1.3	83.3
Mexico	(New Peso)	7.6775	+0.0475	600 - 950	7.7000	7.6400	7.6798	-0.4	7.6829	-0.3	7.6878	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3552	+0.0028	548 - 557	1.3575	1.3537	1.357	-1.6	1.3606	-1.8	1.3803	-1.9	65.4
Hong Kong	(HK$)	7.7345	-	340 - 350	7.7355	7.7340	7.736	-0.2	7.738	-0.2	7.7582	-0.3	-
India	(Rs)	34.8550	+0.035	300 - 800	34.8850	34.8000	35.005	-5.2	35.31	-5.2	36.78	-5.5	-
Israel	(Shk)	3.0736	+0.0094	660 - 812	3.0839	3.0618	-	-	-	-	-	-	-
Japan	(Y)	101.345	+0.69	310 - 380	101.560	100.690	100.85	5.9	99.93	5.6	96.055	5.2	142.2
Malaysia	(M$)	2.5420	+0.0032	415 - 425	2.5426	2.5398	2.542	0.0	2.5423	-0.1	2.55	-0.3	-
New Zealand	(NZ$)	1.5344	+0.0011	337 - 354	1.5358	1.5336	1.5385	-3.2	1.546	-3.0	1.5707	-2.4	-
Philippines	(Peso)	26.2050	+0.005	950 - 150	26.2150	26.1950	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-0.0001	505 - 509	3.7510	3.7503	3.7513	-0.2	3.7521	-0.1	3.7553	-0.1	-
Singapore	(S$)	1.4127	+0.001	122 - 132	1.4140	1.4120	1.4093	2.9	1.403	2.8	1.3782	2.4	-
South Africa	(R)	3.6540	+0.0024	532 - 547	3.6548	3.6510	3.6793	-8.3	3.7293	-8.2	3.9605	-8.4	-
South Korea	(Won)	768.850	-0.3	800 - 900	768.900	768.600	771.85	-4.7	775.35	-3.4	793.85	-3.3	-
Taiwan	(T$)	27.3035	-0.0005	000 - 070	27.3240	27.2970	27.3235	-0.9	27.3635	-0.9	-	-	-
Thailand	(Bt)	25.1370	+0.017	270 - 470	25.1500	25.1200	25.2245	-4.2	24.872	4.2	26.092	-3.8	-

† SDR rate per $ for Nov 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 22: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 24	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
week ago	4	[illegible]	4	4	[illegible]	8.00	3.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	6.10
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	6.10
Germany	4	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.97
week ago	4	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	6	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.52
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.60
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
week ago	2	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.60	5.47	5.43	5.41	-	-	-
week ago	-	5.60	5.50	5.46	5.42	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 - 3⅞	4 - 3⅞	[illegible]	4 - 3⅞	4 - 3⅞	[illegible]
Danish Krone	5½ - 5¼	[illegible]	[illegible]	[illegible]	5¼ - 5	[illegible]
D-Mark	4 - 3⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	9 - 8⅞	9 - 8⅞	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	2¾ - 2½	2½ - 2¼	2⅛ - 2	[illegible]	[illegible]	[illegible]
Can. Dollar	6 - 5[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	6 - 5¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.83	16.73	4.863	2.129	5472	5.445	21.47	508.7	416.3	22.34	3.917	2.199	4.647	3.433	347.9	2.641
Denmark	(DKr)	53.11	10	8.882	2.582	1.131	2906	2.892	11.40	270.1	221.1	11.87	2.080	1.168	2.468	1.823	184.8	1.403
France	(FFr)	59.79	11.26	10	2.907	1.273	3272	3.256	12.83	304.1	248.9	13.36	2.342	1.315	2.778	2.053	208.0	1.579
Germany	(DM)	20.57	3.872	3.440	1	0.438	1125	1.120	4.415	104.6	85.62	4.595	0.806	0.452	0.956	0.706	71.55	0.543
Ireland	(I£)	46.97	8.845	7.856	2.284	1	2570	2.558	10.08	238.9	195.6	10.50	1.840	1.033	2.183	1.613	163.4	1.241
Italy	(L)	1.828	0.344	0.306	0.089	0.039	100.	0.100	0.392	9.297	7.609	0.408	0.072	0.040	0.085	0.063	6.359	0.048
Netherlands	(Fl)	18.36	3.458	3.071	0.893	0.391	1005	1	3.942	93.42	76.45	4.103	0.719	0.404	0.853	0.630	63.89	0.485
Norway	(NKr)	46.58	8.772	7.791	2.265	0.992	2549	2.537	10	237.0	193.9	10.41	1.825	1.024	2.165	1.599	162.1	1.230
Portugal	(Es)	19.66	3.702	3.288	0.956	0.419	1076	1.070	4.220	100.	81.84	4.393	0.770	0.432	0.914	0.675	68.40	0.519
Spain	(Pta)	24.02	4.523	4.017	1.168	0.511	1314	1.308	5.156	122.2	100.	5.367	0.941	0.528	1.116	0.825	83.57	0.634
Sweden	(SKr)	44.75	8.427	7.485	2.176	0.953	2449	2.437	9.607	227.7	186.3	10	1.753	0.984	2.080	1.536	155.7	1.182
Switzerland	(SFr)	25.53	4.807	4.270	1.241	0.544	1397	1.390	5.481	129.9	106.3	5.705	1	0.561	1.186	0.876	88.83	0.674
UK	(£)	45.47	8.562	7.605	2.211	0.968	2488	2.476	9.761	231.3	189.3	10.16	1.781	1	2.113	1.561	158.2	1.201
Canada	(C$)	21.52	4.052	3.599	1.046	0.458	1177	1.172	4.619	109.5	89.59	4.808	0.843	0.473	1	0.739	74.87	0.568
US	($)	29.13	5.485	4.872	1.416	0.620	1594	1.586	6.253	148.2	121.3	6.509	1.141	0.641	1.354	1	101.3	0.769
Japan	(Y)	28.74	5.412	4.807	1.398	0.612	1573	1.565	6.170	146.2	119.7	6.422	1.126	0.632	1.336	0.987	100.	0.759
Ecu		37.86	7.129	6.332	1.841	0.806	2072	2.062	8.127	192.6	157.6	8.460	1.483	0.833	1.759	1.300	131.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.7092	0.7054	-0.0055	0.7109	0.7052	15,077	51,639
Mar	0.7108	0.7087	-0.0055	0.7115	0.7082	344	4,472
Jun	-	0.7117	-0.0055	-	0.7345	4	567

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.8797	0.8756	-0.0064	0.8790	0.8754	7,580	34,878
Mar	0.8868	0.8837	-0.0065	0.8868	0.8834	148	2,344
Jun	-	0.8917	-0.0065	-	0.8925	6	505

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.9971	0.9881	-0.0079	0.9907	0.9875	13,884	61,568
Mar	1.0028	1.0017	-0.0080	1.0035	1.0014	337	9,727
Jun	-	1.0144	-0.0082	-	1.0150	4	435

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	1.5622	1.5588	-0.0032	1.5638	1.5580	4,578	47,264
Mar	1.5580	1.5564	-0.0028	1.5606	1.5554	2,709	891
Jun	-	1.5592	-0.0024	-	1.5530	2	10

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound) (Nov 22)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.540	2.51	3.15	3.74	0.30	1.04	1.81
1.550	1.81	2.53	3.16	0.57	1.41	2.13
1.560	1.21	2.02	2.63	0.97	1.85	2.55
1.570	0.75	1.56	2.22	1.52	2.40	3.09
1.580	0.43	1.18	1.81	2.19	2.96	3.68
1.590	0.22	0.86	1.46	2.92	3.64	4.32

Previous day's vol., Calls 4,533 Puts 5,423 . Prev. day's open int., Calls 245,170 Puts 290,864

■ Pound in New York

Nov 24	—Close—	—Prev. close—
£ spot	1.5607	1.5638
1 mth	1.5595	1.5625
3 mth	1.5578	1.5607
1 yr	1.5483	1.5513

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies & Finance page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Nov 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 6	7 - 6¾	[illegible]	[illegible]	[illegible]	6½ - 6⅜
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	6½ - [illegible]	-	-
Bank Bills	-	-	[illegible]	6½ - [illegible]	[illegible] - 6¼	-
Local authority deps.	[illegible]	6⅞ - 6¾	6¾ - [illegible]	6⅝ - [illegible]	[illegible]	[illegible]
Discount Market deps	7 - 6½	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.3758pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1995. Agreed rate for period Nov 26, 1995 to Dec 25, 1995, Schemes II & III 8.07pc. Reference rate for period Sep 30, 1995 to Oct 31, 1995, Schemes IV & V 6.811pc. Finance House Base Rate 7pc from November 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Nov 24	Nov 17		Nov 24	Nov 17
Bills on offer	£1500m	£1500m	Top accepted rate	6.3775%	6.4379%
Total of applications	£5680m	£6295m	Ave. rate of discount	6.3758%	6.4055%
Total allocated	£1500m	£1500m	Average yield	6.4768%	6.5095%
Min. accepted bid	£98.410	£98.395	Offer at next tender	£1500m	£1500m
Allotment at min. level	83%	17%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday November 22, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	828,745,894	-479,841,312
Bankers deposits	1,851,291,885	-158,229,781
Reserve and other accounts	3,875,745,563	+528,368,282
	6,570,336,342	-109,702,811
Assets		
Government securities	1,081,322,581	-3,165,000
Advance and other accounts	4,914,208,593	-155,812,435
Premise, equipment and other secs	565,505,399	+48,175,165
Notes	9,158,449	+1,094,481
Coin	143,320	+4,978
	6,570,336,342	-109,702,811
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,530,841,551	+138,905,519
Notes in Banking Department	9,158,449	+1,094,481
	19,540,000,000	+140,000,000
Assets		
Other Government securities	13,533,962,583	-89,849,776
Other Securities	6,006,037,417	+229,849,776
	19,540,000,000	+140,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	*Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

FT GOLD MINES INDEX

	Nov 24	% chg since 30/12/94	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1839.83	-7.0	46.96	100.00	1.93	-	2063.56	1837.91
■ Regional Indices								
Africa (16)	2372.41	-25.7	12.81	27.79	4.21	20.63	3191.21	2272.74
Australasia (6)	2275.37	-7.3	5.77	12.51	2.16	25.79	2607.57	1788.20
North America (12)	1625.97	+5.3	27.51	59.69	0.83	46.69	1831.00	1348.16

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	2.13	10	9	†Arion Props	9		v-	-	-	-
306	F.P.	47.3	301	285	BZW Eqs Bermuda	291	+4	v-	-	-	-
-	F.P.	61.8	103	101	Benfield & Rea	103		-	-	-	-
-	F.P.	5.76	64	50	†Chartwell Intl	64		v-	-	-	-
60	F.P.	3.58	71	65	†David Glass	66	-2	Rv2.88	2.4	5.5	9.4
145	F.P.	59.9	152	142½	Enterprise Inns	148		Wv6.4	-	5.4	10.3
-	F.P.	92.0	95	90	Guinness Flight	92		-	-	-	-
-	F.P.	192.0	195	191	Do Units	192		-	-	-	-
-	F.P.	2.00	13	10	Do Warrants	10		-	-	-	-
125	F.P.	28.3	158	128	Heritage Bath	158		-	-	-	-
-	F.P.	25.4	121	97	Hoare Govett Sl C	97½		-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	32.0	95½	93½	Martin Currie Jp	94	-½	-	-	-	-
-	F.P.	2.11	33	31	Do Warrants	31	-½	-	-	-	-
-	F.P.	14.1	101	97	Northern Venture	97		-	-	-	-
100	F.P.	24.8	102	99	Perpetual UK Smlr	99		-	-	-	-
-	F.P.	30.0	125	125	Premium Undrtg C	125		-	-	-	-
-	F.P.	135.6	98	95	Schroder Asia Pc	97	+½	-	-	-	-
-	F.P.	74.5	196	173	Tom Cobleigh	187	-4	uv2.7	2.2	1.8	30.3
-	F.P.	164.2	280	263	Vero Group	271	+2	RWv5.1	1.8	2.4	29.9

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.26	94.26	-	94.27	94.26	38,101	332,724
Mar	94.64	94.63	+0.02	94.64	94.62	59,640	420,344
Jun	94.68	94.67	+0.02	94.69	94.66	52,880	303,345

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.72	94.71	+0.01	94.72	94.71	1,112	8,162
Mar	95.04	95.04	+0.03	95.05	95.03	605	7,032
Jun	-	95.09	+0.03	95.09	-	6	1,014

All Open interest figs. are for previous day

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	1995 Low	Stock	Closing price p	+or-
60	Nil	5/1	33pm	23pm	Cordiant	27pm	-1
100	Nil	8/12	16pm	15pm	Freeport Leisure	15pm	
210	Nil	2/1	38pm	33pm	Mayborn	38pm	
155	Nil	8/1	53pm	36pm	Pilkington	36pm	-1

pm premium.

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
[illegible]						

Shorts* (Lives up to Five Years) ... Five to Fifteen Years ... Over Fifteen Years ... Undated ... Index-Linked ... Other Fixed Interest ... [illegible]

STOCK INDICES

[illegible]

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

GT Asset Management - Contd.

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

IRELAND (REGULATED)(**)

Bank of Ireland Asset Mngmt - Contd.

Citi Fund Managers (IoM)

Mercury Fund Managers IoM Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

Foreign & Colonial Mngmt (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

DB Investment Management SA

Dresdner Fund (a)

Den norske Bank

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

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Citicorp Investment Mgmt (Luxembourg) SA

Merrill Lynch Asset Management - Contd.

Airtrust International Ltd

Royal Life International

Canaco Investment Management Ltd

Global Asset Management - Contd.

Magellan Emerging Markets Mgmt (Jersey)

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Pf		80¼	----	8%	–	Jan Dec	11'94	1757
Cater Allen	♣v	489	-1.3	29.0	2.2	Jan Aug	3.7	2061
Close Bros	♣♠v□	310	-1.9	8.7	2.5	Apr Nov	9.10	2166
Gerrard & Nat	♣v	454xd	-1.5	22.5	1.3	Jul Dec	13.11	[illegible]
Hambros	v□	203	-1.5	7.5	–	Aug Dec	19.6	2812
7¼pc Cv Pf		97	----	7¼%	–	Oct Apr	4.9	[illegible]
Joseph (L)	♣v	463	----	17.86	1.0	Sep Dec	17.7	3080
King & Shaxson	♣v□	117	2.6	9.0	1.4	Jan Jul	26.6	3085
Rea Brothers	♣v	45	----	1.0	2.4	May Sep	14.8	3765
Schroders	♣†♠v□	1386	0.5	14.17	5.1	May Oct	18.9	3920
N/V	†♠v	1193	0.7	14.17	5.1	May Oct	18.9	3941
Singer & Fried	♣†v□	119	0.9	3.7	2.7	Nov Jun	25.9	4028
8¼pc Cv Ln 08/14		£138	0.4	08¼%	–	–	19.10	4045
Union	♣v□	111	----	3.0	–	Apr Aug	31.7	4353
Wintrust	♣v	278	-5.1	11.25	1.5	Mar Oct	28.8	4584

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

AIM

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31¾	—	Q478c	2.4	Oct Apr	3'93	—
Barlow	♣	23⅜	−2	Q84c	Φ	Jan Jul	19.6	—
Gold Flds Prop R		1522	1.3	Q80c	2.1	Feb Sep	1'94	—
MK Props		86	—	Q87.1c	—	Feb Sep	10'93	—
SASOL	♥	483	−12.3	Q78c	—	Oct	9'93	—
SA Brews		£21¼	1.6	Q285c	2.1	Jan Dec	30.5	—
Standard Bank	□	£27⅞	—	Q264c	3.1	Sep Mar	—	—
Tiger Oats		1070	0.9	Q108c	Φ	Jan Aug	19.6	—
Tongaat-Hulett	†	887	0.6	Q110c	2.7	Jan Jun	15.5	—

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "y" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ *Free annual/interim report available, see details below.*
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ *Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.*
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H *Dividend based on prospectus or other official estimates for 1995.* K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** Abtrust Asian Smlr Co's Ord & Wrts (Inv Tsts), Creee Intl and Financial Publins (AIM). **Deletions:** Fosters (Brews) and Crown Products (AIM).

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For readers phoning from outside UK, please dial +44 in place of the first 0.

4pm close

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
19	12⅛	AAR	0.48	2.6	25	4	18½	18½	18½	
46¼	35	AMP	0.92	2.3	20	662	40⅛	39⅞	39⅞	
80¼	53⅜	AMR			16	1486	72¼	71⅝	72	+⅛
47⅞	36⅜	ASA x	1.71	4.5	25	335	38⅛	37⅝	37⅞	
44¾	30¼	AbbtL	0.84	2.1	19	2309	40⅞	40⅝	40¾	
18⅞	12	AbitibiPr	0.40	2.4	8	156	16¾	16½	16⅝	-⅛
27⅞	21	ABM Ind	0.60	2.2	15	5	27½	27½	27½	-⅛
17½	13⅛	Acptrcsin			10	36	15⅛	14⅞	14⅞	-⅛
37¼	21⅞	ACE Ltd	0.56	1.6	8	152	36¼	36	36	-¼
9⅞	8⅛	ACM Gvt In	0.90	9.5	8	176	9⅝	9½	9½	
7¾	6½	ACM GvOpp	0.66	9.1		31	7¼	7¼	7¼	-⅛
7½	5¾	ACM Gvt Sp	0.75	10.9		90	7	6⅞	6⅞	-⅛
8½	7¼	ACM Gvt Se	0.90	10.4		1019	8¾	8⅝	8⅝	
9½	7⅝	ACM Man	0.90	10.1		47	8⅞	8¾	8⅞	+⅛
29¼	10¼	AcmeCle	0.48	2.2	39	151	21⅞	21½	21⅞	+⅛
39¾	7⅜	Acme Elect			72	227	8⅞	8⅜	8¾	+½
34½	23¼	Acordia	0.72	2.6	15	27	27⅞	27⅞	27⅞	
16⅞	10⅛	Acuson			33	46	10⅞	10¾	10¾	
19⅝	15⅝	Adams Expr x	0.48	2.6	0	17	18⅛	18¼	18¼	
35⅞	2⅞	Advanc			6	3306	21	20¼	20¾	+⅜
9¾	5	Advest Grp	0.16	1.7	12	69	9¼	9⅛	9¼	+⅛
27½	16½	Advo Inc	0.10	0.4	19	13	26⅝	26⅜	26½	-⅛
42⅞	24.80	Aegon	1.28	3.1	15	32	41½	41¼	41⅜	-1⅛
5⅞	3⅝	Aerflx			8	32	4⅜	4¼	4¼	-⅛
76¼	46¾	AetnaL	2.76	3.7	35	2194	74½	74	74¼	-⅛
44¾	31⅞	Aflac x	0.52	1.3	12	296	41¼	41	41¼	+¼
29⅜	18	Ahmnsn	0.88	3.3	7	824	26⅝	26⅜	26½	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
57¼	39⅝	SBC Cm	1.65	3.1	18	814	53¾	53⅝	53¾	+⅛
26⅛	20½	Scana Corp	1.44	5.6	16	354	25⅞	25⅝	25⅞	+⅛
18	14½	Scecrp	1.00	6.2	10	2584	16⅜	16	16¼	+⅛
11¼	6⅛	SchawkA	0.26	3.9	17	21	6⅞	6¾	6¾	
50¼	37¼	SchererRP			22	215	42¾	42½	42½	-½
58½	35½	SchrPl	1.16	2.1	20	2311	u56¾	56⅛	56⅜	+⅝
69⅝	50⅛	Schlmb	1.50	2.3	25	2015	68¼	65⅝	66¼	+¾
29	11¼	Schuman(C)	0.16	0.7	24	626	22⅞	22⅝	22¾	-⅛
24⅞	11⅜	SciAtl	0.06	0.4	22	882	16⅛	15¾	16	
20	15⅛	Scotman	0.10	0.6	10	3	16½	16⅜	16½	+⅛
56⅞	33½	ScottP x	0.40	0.7	16	817	56½	56	56	-⅜
38⅞	26⅞	Scripps x	0.52	1.3	26	402	u38⅞	38⅞	38⅞	+⅛
21½	13⅛	ScudderNAsF	0.02	0.1		114	13⅞	13¾	13¾	+⅛
11⅛	8⅝	ScuddrNEaF x	0.16	1.5		19	10⅞	10¾	10⅞	+⅛
20	13⅜	SeaCnB	0.70	3.9	2	35	18⅜	18	18¼	
16¼	14⅝	SeaCt 4625	1.46	9.4		z100	15½	15½	15½	+¼
54	23⅝	S'gate			10	781	49⅜	49	49¼	
38¾	25⅝	Seagrm	0.60	1.5	28	1261	u39¾	38½	39⅛	+¾
22½	15¼	Seagull En			65	361	19⅝	19¼	19⅝	+⅜
30⅝	18	Sealed Air			25	132	30⅛	30	30	-⅛
40	30⅜	SearsR	0.92	2.3	10	2912	39⅞	39⅛	39½	-⅜
19½	16⅜	SecCapSBI	1.15	6.0	22	128	19¼	19	19⅛	-⅛
[illegible]										
52½	42½	Xtra Corp x	0.64	1.5	12	60	43	42¾	43	
22⅞	19½	Yankee Egy	1.28	5.6	14	33	u22⅞	22⅝	22⅝	+⅛
48½	34⅛	York Int	0.24	0.5	16	149	45½	45¼	45⅜	-⅛
4½	2½	Zapata	0.14	3.5	8	537	3⅞	3¾	3⅞	
12⅛	6⅞	ZenithEl			4	692	7¼	7⅛	7⅛	
24⅝	19⅜	Zenith Nat	1.00	4.5	31	3	22⅛	22⅛	22⅛	-¼
6⅞	6⅛	Zemex Inc x	0.72	10.9		9	6⅝	6½	6⅝	
16⅞	12⅝	Zero	0.44	2.8	16	64	15⅞	15⅝	15¾	-⅛
28	15⅞	Zurn Ind	0.40	1.6	22	418	24⅞	24¾	24⅞	-⅛
11½	10¼	Zweig Fund	1.12	10.1		50	11⅛	11	11⅛	+⅛
9	7⅞	Zweig Tot	0.84	9.7		653	8⅝	8½	8⅝	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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AMEX COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

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FT GUIDE TO THE WEEK

MONDAY 27

EU-Mediterranean summit
Foreign ministers of the European Union's 15 members and of the 12 so-called southern rim nations of the Mediterranean gather in Barcelona for the first EU-Mediterranean summit (to Nov 28). The aim is to establish a dialogue that will lead towards a free trade area for the Mediterranean by 2010. The EU will provide a financial development aid package totalling Ecu4.6bn ($6bn).

Clinton makes TV address
US President Bill Clinton makes a TV address to the nation marking the first step in his campaign to persuade politicians and the public to support the presence of about 20,000 US troops in Nato's peace enforcement mission in Bosnia. Congress holds its first hearings on the subject on Tuesday.

Emu on the menu
EU finance ministers in Brussels discuss the planned changeover to the single European currency between 1999 and 2002. The meeting should pave the way for final agreement at next month's EU summit in Madrid, where leaders hope to reach a deal on the name of the new Euro-currency.

EU telecoms talks
EU telecommunications ministers in Brussels discuss liberalisation. They will also be assessing proposals from the Commission to open up postal services to more competition, although the measures on the table are strictly limited.

India's parliament sits
India's parliament starts a two-week winter session. It promises to be stormy in the run-up to general elections next year. Issues to be discussed include the postponement of assembly elections in Kashmir, which has been under central rule for six years, allegations of corruption against one minister, and the resignation of another minister.

Saleroom
Sotheby's opens London's week of big Impressionist and Modern art sales tonight with a select group of 46 lots. The highlight, valued at up to £2m ($3.16m), is a Tahitian scene by Gauguin.

At Christie's tomorrow evening, an important bronze by Brancusi, "Le commencement du Monde", unseen in public for 70 years, is estimated at up to £1.8m. A Venetian scene by Monet carries the same estimate, and another work hidden away since 1918, a view of the Boulevard de Clichy in Paris by Bonnard, could make £1m.

FT Surveys
Biotechnology and Mobile Communications.

Holidays
Burma.

Kenneth Clarke, the UK chancellor, presents his third Budget on Tuesday

TUESDAY 28

Budget Day in the UK
UK Chancellor Kenneth Clarke sets out the government's plans for taxation and spending in his third Budget. Against a background of slowing growth and flagging government popularity, he is widely expected to announce large tax cuts aimed mainly at consumers, but matched by equivalent cuts in public spending.

US budget negotiations
The first round begins of renewed budget negotiations between the Republican leadership in Congress and the Clinton administration. The current temporary agreement provides government funding until December 15.

Summit on Rwanda
If former US President Jimmy Carter's plans bear fruit, the leaders of Uganda, Tanzania, Rwanda, Burundi and Zaire will attend a summit in Cairo to discuss how to persuade 2m Hutus who fled Rwanda last year to return home (to Dec 2).

Czechs to join OECD
Czech foreign minister Josef Zieleniec is due to sign an agreement clearing the way for the Czech Republic to become the 26th member of the Organisation for Economic Co-operation and Development (OECD). The Czech republic will be the first former Communist country to join the OECD, although Poland and Hungary are expected to follow suit later next year.

Burma constitutional talks
A national convention charged with drawing up a new constitution for Burma resumes in the capital Rangoon after a 10-month recess. Most of the more than 700 delegates have been hand-picked by the military junta and in earlier sessions they agreed to give the military "a leading role" in Burmese political life.

The National League for Democracy, led by Nobel laureate Aung San Suu Kyi, is represented at the convention, but has threatened to walk out unless both the form and content of the convention are changed.

FT Surveys
Tunisia and Islamic Banking.

Holidays
Albania, Chad, Mauritania, Panama.

WEDNESDAY 29

Clinton comes to Europe
President Bill Clinton starts a five-day tour of Europe in London with a speech to parliament, emphasising Bosnia, US leadership in Nato, and general transatlantic relations. He also holds discussions with Prime Minister John Major and Labour party leader Tony Blair.

On Thursday, he becomes the first sitting US president to visit Ulster – where he turns on the lights on a Christmas tree in Belfast – and on Friday he has talks with the Irish government in Dublin.

His Irish trip is designed to highlight the progress made so far in the Northern Ireland peace process. The White House is warning against expectations that he will engage in direct negotiations.

Nato defence ministers meet
Nato defence ministers in two days of talks in Brussels will discuss implementation of the peace agreement in Bosnia, co-operation with Partnership for Peace countries in central and eastern Europe, and the alliance's relationship with Russia. General Pavel Grachev, the Russian defence minister, is expected to attend.

WTO disputes body
The World Trade Organisation is due to announce the seven members of its new appeals tribunal when the dispute settlement body meets in Geneva. The European Union last week grudgingly accepted the proposed panel, despite complaints that it is biased towards the Asia-Pacific region. The appellate body will be the final arbiter in trade disputes brought to the WTO.

Castro visits China
Fidel Castro, the president of Cuba, arrives in Beijing at the start of a 10-day visit. This will be Dr Castro's first visit to the People's Republic of China. He will seek to extend commercial ties, learn from China's economic reforms, and also use the occasion to demonstrate that US attempts to isolate Cuba in the international community are fruitless.

Elections in Egypt
The ruling National Democratic Party is expected to win a comfortable two-thirds majority in the country's first parliamentary elections since 1990. Then, the poll was boycotted by all the main opposition parties; this time, some 21m potential voters will have 4,040 candidates to choose from for 444 parliamentary seats.

Observers will be watching how many seats the Moslem Brotherhood manages to muster. Some 54 members of the Brotherhood were given jail sentences last week.

Badminton
World grand prix finals, Singapore (to Dec 3).

Holidays
Albania, Liberia, Yugoslavia.

THURSDAY 30

Tories mark St Andrew's Day
Michael Forsyth, the UK's secretary of state for Scotland, gives a speech on St Andrew's Day. He will unveil proposals for further decentralising political power to Scotland from London as a response to Labour and Liberal Democrat plans for a devolved Scottish parliament. He is expected to reject a Scottish legislature but may seek to make more use of the grand committee of all 72 Scottish MPs.

Cricket
Second Test match, South Africa v England, Johannesburg (to Dec 4).

FT Surveys
Australia and Northern Ireland.

Holidays
Barbados, Philippines, Yemen, Yugoslavia.

FRIDAY 1

Green party meets in Bremen
Germany's Greens begin a two-day national congress in the northern port city of Bremen to decide how best to build on recent successes in national and state elections. The party will also have to work out how best to deal with the Social Democratic party under the new leadership of Oskar Lafontaine.

Saleroom
Frank Sinatra, on the eve of his 80th birthday, is clearing out his Palm Springs home with the help of Christie's New York. The keenest bidding should be for two works by Fabergé, jeweller to the last Russian Tsars: imperial presentation boxes given to court favourites. The top price, about $70,000, should be paid for the Bösendorfer piano which occupied his living room; while the craziest price will be paid for Sinatra's golf cart, bearing the legend "Ol' Blue Eyes", which will easily top its $6,000 estimate.

Tennis
Davis Cup final, Russia v US, Moscow (to Dec 3).

Mastering Management
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FT Surveys
Business Property, French Finance and Investment, and World Nuclear Industry.

Holidays
Central African Republic, Ghana, Macau, Portugal, Romania.

SATURDAY 2

Taiwan goes to the polls
Taiwan holds parliamentary elections, the country's third round of free legislative polls since martial law was lifted in 1987. The long-ruling Nationalist party, or Kuomintang, is coming under attack and may lose its absolute majority and be forced into coalition. The outcome of the vote may shed light on presidential elections to be held next March, the island's first by universal suffrage.

Taiwan's steady march toward democracy has alarmed China. Beijing is expected to hold military exercises just before the polls off the south China coast near the Taiwan-held island of Kinmen, in an apparent attempt to frighten Taiwanese into voting for relatively pro-China candidates.

Francophone summit opens
Up to 50 heads of what are nominally the world's French-speaking nations will attend the Francophone summit in Benin (to Dec 4), the first chaired by France's President Jacques Chirac. Security is bound to be tight at the conference, which will include delegations from both Algeria and Egypt.

SUNDAY 3

EU-US summit in Madrid
President Bill Clinton arrives in Madrid for an EU-US summit. The goal is to agree on a blueprint for transatlantic relations in the 21st century, including closer political ties and a study on the prospect of a free trade area.

Red Cross and Crescent meet
The 26th International Conference of the Red Cross and Red Crescent opens in Geneva (to Dec 7), bringing together representatives of governments, national societies and the International Committee of the Red Cross. It is nine years since the last conference, also in Geneva. A 1991 meeting in Budapest was abandoned after the US and Israel opposed observer status for a Palestinian delegation.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: Italian hourly wages are expected to have grown at the same annual rate last month as they did in October. West German consumer prices are thought to have risen again last month after falling back slightly in October.

Tuesday: US housing starts are thought to have been higher last month than they were in the previous month. Most economists expect US consumer confidence to have fallen this month.

Wednesday: French gross domestic product is thought to have risen more slowly in the third quarter of the year than it did in the second quarter. Japanese industrial production is thought to have grown last month.

Thursday: Most economists think the French unemployment rate was unchanged last month. US durable goods orders are thought to have fallen back last month, after large rises in the previous two months.

Friday: The UK's visible trade deficit with the rest of the world is thought to have narrowed in September. The latest US National Association of Purchasing Managers survey is expected to show further weak manufacturing activity.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Oct existing home sales	-	4.15m
Nov 27	Germany	Oct import prices*	-0.2%	0.1%
	Germany	Oct import prices**	0.2%	0.5%
	Canada	Oct raw materials price indx	-	-1.5%
Tue	US	Oct housing starts	1.41m	1.39m
Nov 28	US	Oct building permits	-	1.39m
	US	Nov consumer confidence	96.4	97.0
	Japan	Oct unemployment rate	3.2%	3.2%
	Japan	Oct job offers/seekers ratio	0.60	0.60
	Spain	Sep industrial production**	4.7%	5.0%
Wed	Japan	Oct retail sales**	-0.7%	-0.1%
Nov 29	Japan	Oct industrial production†	2.3%	-1.7%
	Japan	Oct shipments†	-	-1.9%
	Japan	Nov wh'sale price indx (2nd 10 days)	-	0.2%
	France	3rd qtr gross domestic prod prelim***	0.2%	0.4%
Thu	US	Oct durable orders	-1.5%	2.9%
Nov 30	US	Oct durable shipments	-	1.0%
	US	Nov Chicago Ass purchasing mgrs†	-	53.4%
	US	Oct export price indx	-	0.2%
	US	Oct import price indx	-	0.1%
	US	Nov agriculture prices	-	1.0%
	Japan	Oct construction orders**	-	4.5%
	Japan	Oct housing starts**	-5.2%	-5.3%
	Japan	Oct construction starts**	-	-6.7%
	Canada	3rd qtr real gross domestic prod***†	-	-1.0%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	US	Nov Natl Assn Purchasing Managers	48%	46.8%
Dec 1	US	Nov domestic automobile sales	7.0m	6.9m
	US	Nov domestic light truck sales	5.8m	5.8m
	Japan	Oct consumer price indx, nation**	-0.5%	0.2%
	Japan	Oct CPI ex-perishables, nation**	0.0%	0.2%
	UK	Oct consumer credit	£600m	£608m
	UK	Sep global visible trade	-£1.0bn	-£1.3bn
	Aus'lia	Oct retail trade†	0.5%	-1.6%
During the week...				
	Germany	Nov prelim cost of living, West*	0.2%	-0.1%
	Germany	Nov prelim cost of living, West**	1.7%	1.6%
	Germany	Oct wholesale price indx, West*	-0.1%	0.4%
	Germany	Sep trade balance	DM6.0bn	DM7.7bn
	Germany	Sep current account	-DM3.5bn	-DM4.7bn
	Germany	Oct industrial production, West*	0.0%	-0.5%
	Germany	Ditto, pan-Germany*	0.5%	-1.9%
	Germany	Oct manufacturing output, West*	-0.25%	-0.5%
	Italy	Oct M2 3-month average	0.9%	0.4%
	Italy	Oct total bank lending	2.4%	2.3%
	Italy	Sep trade balance	L3.2Tr	L5.5Tr
	Italy	Oct balance of payments	-L2.8Tr	-L3.3Tr
	Italy	Oct forex reserves	L92.0Tr	L92.3Tr
	Switz'nd	Nov consumer price indx*	0.0%	-0.1%

*month on month, **year on year, ***qtr on qtr, †sess adj. *Statistics, courtesy MMS International.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.11.95: Pool purchase price £/MWh	Post Prices for Trading on 26.11.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.02	10.37	11.91
0100	8.96	10.37	11.91
0130	8.96	10.37	11.91
0200	8.96	10.37	11.91
0230	8.96	8.98	8.98
0300	9.02	8.97	8.97
0330	9.02	8.81	8.81
0400	8.97	8.10	8.10
0430	8.92	8.10	8.10
0500	8.91	8.09	8.09
0530	8.10	8.11	8.11
0600	8.09	8.11	8.11
0630	8.11	8.12	8.12
0700	8.11	8.12	8.12
0730	8.11	8.89	8.89
0800	8.11	8.89	8.89
0830	8.91	8.90	8.90
0900	8.96	8.93	8.93
0930	8.97	9.46	10.99
1000	8.96	9.46	10.99
1030	16.39	13.71	15.24
1100	19.23	15.23	16.78
1130	19.23	15.96	17.49
1200	27.73	17.53	19.06
1230	31.58	17.53	19.06
1300	31.58	17.53	19.06
1330	19.23	17.53	19.06
1400	8.96	13.71	15.24
1430	16.39	13.07	14.61
1500	8.96	9.46	10.99
1530	9.02	9.46	10.99
1600	16.39	9.46	10.99
1630	17.53	13.07	14.61
1700	16.75	23.37	24.91
1730	32.74	22.64	24.17
1800	32.74	36.48	38.01
1830	32.74	36.48	38.01
1900	32.74	23.37	24.91
1930	16.74	18.94	20.47
2000	16.14	18.94	20.47
2030	17.40	15.22	16.75
2100	16.61	14.04	15.57
2130	16.61	13.57	15.10
2200	16.39	13.22	14.75
2230	9.07	13.16	14.69
2300	8.97	9.46	10.99
2330	8.96	9.02	9.02
2400	8.93	8.91	8.91

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.11.95: Pool purchase price £/MWh	Post Prices for Trading on 30.10.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.02	8.93	8.93
0100	8.93	8.94	8.94
0130	8.93	8.94	8.94
0200	8.93	8.94	8.94
0230	8.93	8.93	8.93
0300	8.96	8.91	8.91
0330	8.97	8.90	8.90
0400	8.93	8.90	8.90
0430	8.93	8.90	8.90
0500	8.93	8.90	8.90
0530	8.97	8.97	8.97
0600	8.97	8.97	8.97
0630	9.07	9.07	9.07
0700	13.35	14.75	16.78
0730	32.99	19.78	21.78
0800	36.18	20.92	22.99
0830	36.46	19.84	21.87
0900	39.75	22.24	24.37
0930	39.98	25.20	27.39
1000	40.01	25.34	27.58
1030	38.97	25.42	27.68
1100	36.96	25.58	27.87
1130	37.40	29.32	31.59
1200	51.51	33.51	35.84
1230	51.43	33.36	35.74
1300	37.32	29.07	31.38
1330	38.29	22.33	24.48
1400	38.08	21.43	23.55
1430	38.83	21.38	23.47
1500	40.57	21.39	23.45
1530	41.33	21.40	23.50
1600	38.13	21.87	24.16
1630	178.09	46.64	51.35
1700	300.71	114.77	133.99
1730	325.82	147.73	169.81
1800	227.35	160.50	170.86
1830	116.06	98.82	108.59
1900	89.00	69.50	75.38
1930	46.00	30.54	33.73
2000	40.80	40.16	42.66
2030	39.12	22.08	24.13
2100	38.91	32.35	34.38
2130	38.65	32.33	34.5[illegible]
2200	32.91	19.60	21.6[illegible]
2230	20.82	19.43	21.49
2300	19.65	15.69	17.72
2330	13.35	14.75	16.78
2400	9.02	9.07	9.07

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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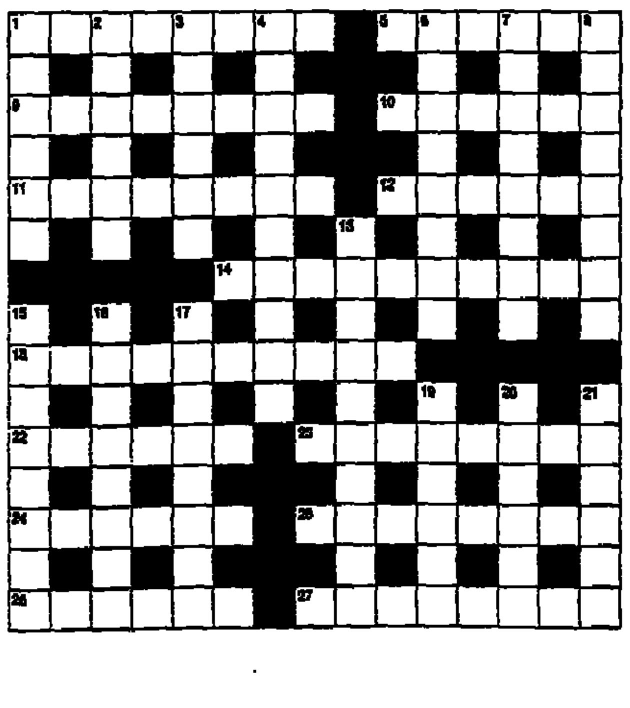
MONDAY PRIZE CROSSWORD
No.8,929 Set by CINCINNUS

ACROSS
1 Two music-makers dance (8)
5 Wild and reckless plan to import analog-to-digital converter (6)
9 One with foresight about a distant sailor (8)
10 Anger surrounding band, we hear (6)
11 Dislike reading article first (8)
12 Complete European language centre removed (6)
14 Securities ensure debt is settled (10)
18 Unsocial or destructive play (10)
22 American capital invested in pipes or old coins (6)
23 More peculiar a person I do not know! (8)
24 Developed spa with elm trees (6)
25 Painter and minor sculptor? (8)
26 Most charming copper on trial (6)
27 Softened sausage roll comes to bad end (8)

DOWN
1 Soldier finding fish by a river (6)
2 Harvester exercises back outside (6)
3 Audibly communes with god in worship by hymn-singing (6)
4 Giving me sodium in carbolic acid is remarkable (10)
6 Unbelievers present at robberies (8)
7 Bawl out Stan's partner in pit (8)
8 Buy and hold (8)
13 Disturbances when editor goes in for cuts (10)
15 A scholar or a low vulgarian tortured mice (8)
16 Two drugs for one who's crazy (8)
17 Vain though unshed? (8)
19 Real and authentic component for carriage (6)
20 A head of government, a German head of government, growing old (6)
21 Prudential Edward abbreviated? (6)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday December 7, marked Monday Crossword 8,929 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 11. Please allow 28 days for delivery of prizes.

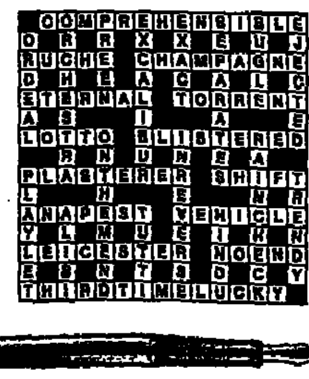
Name..........

Address..........

Winners 8,917

B.W. Smith, Horncastle
J.V. Tiller, Epsom, Surrey
C.V. Lightman, Leeds
Jan Jucha, Nottingham
M. Lakar, Coulsdon, Surrey
Kate King, Solihull

Solution 8,917



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MOBILE COMMUNICATIONS

A market poised for global take-off

After steady growth in the 1980s, the industry is now set for a period of rapid expansion. Alan Cane looks at the forces that will shape its future

More than 20 years after Bell Labs in the US demonstrated that cellular radio could be used to provide mobile communications for a mass market, the industry seems bound for a phase of dramatic expansion that could see as many wireless as fixed wire networks in place early next century. Compound annual growth rates already range from 16 per cent in the UK to 54 per cent in Australia and 115 per cent in Taiwan, according to International Telecommunications Union statistics.

In the Asia Pacific area, for example, where developed and underdeveloped markets exist side by side, there are expectations that the number of mobile subscribers will increase from 10.3m at the end of 1994 to almost 74m by the end of the decade.

The vision is of a world where terrestrial and satellite based mobile communications systems will allow people to make and receive calls from any point on earth using the same multi-purpose handset whether at home, in the office or outside.

The first signs of this shift to ubiquitous personal communications are evident in the success this year in Japan of the "Personal Handy Phone", an inexpensive, lightweight handset that operates as a cordless telephone in the home and a cellular phone elsewehere.

It is also evident in the number of consortia competing to establish satellite-based systems for inexpensive worldwide personal communications. These include Iridium, led by Motorola, ICO Global Communications, established by Inmarsat, Globalstar led by Loral and Odyssey headed by TRW.

This potential boom for network operators and equipment manufacturers was not always obvious and, indeed, there are still question marks over the projected demand for mobile services.

Nobody should forget that AT&T, the largest US telecoms company and at that time owner of Bell Labs, abandoned the mobile phone business in 1984, believing that it would never develop sufficiently to be a viable proposition. Last year it paid $12.6bn for McCaw Cellular Communications to get back into the business and is now the largest cellular operator in the US.

The forces for change are partly technological. They include the shift from analogue to digital networks, which should lead to improved performance, more efficient use of the radio spectrum and greater security. There is also the expectation of a decline in the price of both hardware and services as competition bites and technology makes possible smaller, cheaper and more powerful handsets and base stations.

Among the principal trends is the emergence of a battle for dominance in the newer digital technologies. Standards are the key to mass acceptance of new technologies. Already some 6m subscribers in 86 countries use digital mobile phones based on the GSM standard.

GSM, the Global Standard for Mobile telephony, was established by the European telecoms authorities in 1981, concerned that progress in mobile communications was being hampered by Europe's collection of incompatible analogue networks.

As offered by mobile operators across Europe, GSM operates at 900 MHz. Personal Communications Networks (PCN) of the kind offered in the UK by Mercury One-2-One and Hutchison Orange use essentially the same technolgy, operating at 1800 MHz. PCN are available in the UK, Germany, France, Thailand, Malaysia and Singapore.

The principal challenge to GSM as a global standard comes from a technology called Code Division Multiple Access (CDMA). This is particularly true in the US where the migration to digital technology is taking place more slowly than in Europe.

CDMA, a more recent technology than GSM, seems to offer a number of advantages over the European standard. It uses available radio spectrum even more efficiently than GSM, so making it possible to cram many more customers onto the same airwaves.

Dr Andrew Viterbi, chief technical officer of Qualcomm, a US company that has pioneered CDMA, explains the technology: "The CDMA concept makes every user sound like noise [interference] to every other user. If you take that as a premise, then you no longer have the same bandwidth allocation limit."

Another way to understand a CDMA network is to think of a roomful of couples each speaking a different foreign language. Each pair will understand each other; they will simply fail to understand, and will therefore ignore, other couples' conversations.

While Qualcomm has shown CDMA works in demonstrations, the technology is yet to be proved in a commercial network. The first examples to go live are expected to be in Hong Kong and Los Angeles. CDMA has, however, been adopted as the preferred technology of a number of US consortia planning to offer personal communications services in the US. These include PrimeCo, a consortium of Nynex, Bell Atlantic, US West and AirTouch Communications.

Dr Viterbi believes that GSM will continue to dominate the European and Asian market, and have only a small foothold in the US, where he thinks CDMA will eventually prevail. He emphasises that the battle in the US is not between CDMA and GSM but between CDMA and TDMA (time division multiple access), a technology that has similarities to GSM and is AT&T's technology of choice.

The answer for global "roaming" (moving from geographic area to geographic area without losing the communications link) will be a dual mode phone able to operate on either the GSM standard or CDMA, depending on which technology is prevalent in the region.

Earlier this year, the US Federal Communications Commission (FCC) invited bids for licences for personal communications services. The auction of some 99 licences in 51 geographic markets across the country raised more than $7bn and resulted in an entry in the Guinness Book of Records. According to Mr Reed Hundt, FCC chairman: "This was a fascinating and hideously complex challenge. Nobody had held a successful auction of the airwaves until we did it."

The biggest bidders were WirelessCo, a consortium of Sprint, TCI, Cox Cable and Comcast, AT&T Wireless, PrimeCo, Pacific Telesis and GTE Macro.

What encouraged these groups to bid huge sums was the hope that the broadband wavelengths would be used for a host of new and potentially lucrative mobile services.

It is not, however, an odds-on bet. According to the US Office of Technology Assessment (OTA): "Much of the excitement that surrounds wireless communications is based on assumptions analysts and companies make about what people and businesses want, but there is little agreement on how big the potential market for wireless might be. The growth of cellular telephone services is high, running at about 45 per cent per year in the US until 1994, with comparable rates in other developed countries. Paging, another widely used service, has experienced growth rates of about 20 per cent a year for nearly a decade".

The OTA argues the consensus is that the demand for at least some kinds of mobile services will be very high, pointing out that some analysts believe as many as 100m people will be using some kind of wireless telecommunications device by 2010.

The mobile communications industry has developed more slowly in Europe than the US, and cellular penetration is relatively modest – 4.1 per cent in Germany and 8.5 per cent in the UK compared with 10.8 per cent in the US. Analysts – for example, Mr Stuart Birdt of Goldman Sachs – argue that this will change as mobile communications are seen to offer better value for money. As operators continue to expand their networks, the quality of service should improve and both handset prices and tariff levels should drop.

The trend towards market liberalisation in Europe should also favour the growth of the industry. "Until recently, many European countries had one cellular network operator, the domestic fixed-line telecoms services company," says Mr Birdt. "As a result of the monopoly position and the view that the service could cannibalise revenues from the fixed-line business, the operators generally under invested in and under marketed mobile services, accounting for the relatively low penetration rates in selected countries."

Mr Birdt concludes: "As more network operators emerge, without this conflict of interest, we expect increased marketing efforts to raise awareness of cellular services and help stimulate demand."

IN THIS SURVEY

The UK: by Alan Cane

In the grip of growing pains

Rapid expansion and a changing customer base are just two of the sector's challenges

The promise and the pitfalls of mobile telephony in the UK are illustrated by several recent events. Last month, Mercury One-2-One, one of the country's two Personal Communications Services operators, said it had successfully completed a £600m syndicated bank loan. The loan was 30 per cent oversubscribed.

The announcement came only a matter of weeks after Hutchison Telecommunications, operators of the Orange cellular network, One-2-One's immediate competitor, said it was arranging syndicated bank loans of £1.2bn.

Both groups will use the funds to re-finance existing debt and continue the expansion of their respective networks. The size of the loans, the terms on which they were granted and the ease with which they were arranged, reflect the strength of the industry and investors' faith that growth is guaranteed to continue.

On the other hand, service providers, the intermediaries between network operators and their customers that are responsible for billing users and collecting payments, are either thinking about, or have started to implement, call charge limits to prevent their customers spending more than a previously agreed amount on calls each month.

The purpose is both to protect customers from fraud, theft and unauthorised use of their phones and to protect the service providers from giving unlimited credit.

The inference is that the industry is set for futher expansion in the UK but that it has yet to come to terms with *ways of managing* its own growth, a changing customer profile and rapidly advancing technologies. The UK may be the cheapest place in Europe to buy the physical telephone handset, but the industry is still seeking the best way to educate its potential customers about the real costs of the service.

This is given added urgency by the fact that most of the growth is expected now to be in the residential rather than the business sector. With almost 5m subscribers in total, there is only 8.5 per cent penetration (number of subscribers per 100 head of population) compared with 22.3 per cent in Norway, 21.7 per cent in Sweden and 10.8 per cent in the US.

According to research from Goldman Sachs, the US investment bank, the number of customers is expected to reach more than 20m by 2004, a penetration rate of 33.8 per cent and a compound annual growth rate from 1994-2004 of 18 per cent.

The problems of expansion in the residential sector, however, have been well rehearsed. Customers are much more sensitive to price and revenues per head are smaller because they make less use of the phone than business people.

For example, Vodafone, the UK's largest cellular operator with 2.19m subscribers, reckons that those on its "LowCall" analogue tariff scheme each produced annual revenues of £230 last year, compared with an overall average revenue per subscriber of about £600.

The level of "churn" – a measure of the number of customers *leaving* the network voluntarily or involuntarily – is higher than for business users. At least some of this churn reflects customer disillusionment with mobile telephony. The low price of the handsets belies the fact that the monthly bills for the service can be hefty.

Handset prices – for analogue phones at any rate – are low because operators and service providers pay handsome commissions to dealers for signing up new customers.

Capacity, however, has become a problem for the older network operators. The earliest cellular networks of Vodafone and Cellnet were based on analogue transmission – a system called TACS – simply because that was the prevailing technology at the time. It does, however, make comparatively ineffective use of the available bandwidth; digital or computer-language systems can accommodate between four and 10 times as many conversations within the same bandwidth, depending on the technology used.

Orange and One-2-One, which operate only digital services, reckon to be able to accommodate about 10m customers each. Vodafone and Cellnet are close to the limit of their capacity in their analogue circuits and their future expansion will be determined to some extent by the rate at which they are able to move existing and new customers from analogue to digital services.

All the four UK operators offer a digital technology based on variations of the Global System for Mobile Telephony (GSM), which is now standard across Europe and which has been adopted by some 156 operators in 86 countries.

Vodafone and Cellnet, however, have been allocated only enough digital capacity for about 1m customers each and both companies have asked the government to award them spare capacity in the region of the spectrum allocated to One-2-One and Orange. So far, no ministerial decision has been announced.

Phone theft and fraud is another and compelling problem for all the UK operators. The total direct cost to the mobile telephone industry and its customers is now estimated at more than £100m annually. Mr Ian Taylor, science and technology *minister*, said earlier this year that the Government would consider tightening legislation to outlaw certain kinds of mobile phone fraud, including the use of *scanners to intercept electronic* codes transmitted over analogue networks and the "rechipping" of mobile phones – that is, creating clones of phones by modifying their electronic identities.

An industry study group, set up in the middle of the year, said new legislation was urgently needed. It recommended that the existing offence of dishonestly obtaining telecommunications services with intent to avoid payment *should also cover the* possession or supply of equipment capable of use in connection with that offence.

Members of the Federation of Communications Services have already agreed to set up a crime prevention scheme aimed at banning dishonest mobile phone dealers.

The operators have begun to include special intelligence in their networks that tells them, for example, if phones with the same apparent identity are being used in two geographically separated locations at once, giving them the option to close one or both of them down.

Digital phones, which use a technology first developed for military purposes, are resistant to scanning, although it is possible for network operators to monitor calls because of their knowledge of the technology. With the *steady move to digital* technology, fraud, if not handset theft, will become increasingly difficult.

UK service providers: by Michael Dempsey

Trade body challenges regulator

The FCS fears takeovers and mergers have led to conflicts of interest

Five years ago, the UK mobile communications industry had 60 serivce providers (SPs). Today there are 38. This dramatic reduction reflects both a number of business failures and a series of mergers and takeovers. *It is the latter* – with its implications for competition – that is now causing the Federation of Communication Services (FCS) concern.

When the first UK mobile communications licence was issued in 1983, the industry was structured around a two-tier system of networks companies and airtime managers, or SPs. *These were meant to* be kept well apart. The service providers were supposed to protect consumers from the anti-competitive pricing policies that might result from the existence of just a handful of network providers.

It is a confusing sector, but, put simply, the SPs can be thought of as a kind of supermarket that brings the mobile telephony goods to shelves. Mr David Savage, chairman of the UK's largest service provider, *Astec Communications*, and head of the FCS's Cellular Services Providers group, explains: "SPs find the customers for the network operators. We make our money by billing those customers. They are charged a retail rate while we pay wholesale."

This simple image, however, obscures a complex set of rivalries and allegiances. The original vision of a two-tier system is fast becoming anachronistic. The network provider *Vodafone owns a 33 per cent* stake in the largest SP, Talkland. Cellnet is owned by Securicor and British Telecom. While Mercury and Orange, owned by Hutchison Telecom, have been selling airtime direct since they arrived in the increasingly deregulated market.

Mr Savage alleges that Oftel, the independent watchdog that regulates the UK market, has failed to police the pricing policies of larger players. The *FCS, he declares,* is about to issue a challenge. "We are going to mount a campaign, Oftel is no deterrent. We want it to flex its muscles – if we don't act there'll be no independent SPs available to the customers," he says.

Mr Savage says that lifetime individual telephone numbers, which can be transferred between addresses and telecoms suppliers, are just around the corner. But this number portability is not necessarily *in the interests of* network providers, which would have to work harder to keep customers. Mr Savage is eager to ensure that an SP billing for airtime over different networks is not adversely affected by number portability. "This is an important commercial issue. You don't want to get a bunch of networks trying to protect themselves."

The SPs fear, he says, that the huge resources of telecoms giants mean hidden subsidies *are unbalancing the market.*

The 40,000 employees working in the UK mobile telecoms sector are set to double over the next decade. But whether they will be working for outfits such as the 300-strong Astec or an offshoot of BT is open to debate.

"The question we really have to ask of SPs is what is their long-term role. Do they add enough value? Are they really part of the telecoms sector or only a debt collection agency for big suppliers?" says Mr Roger Pye, a telecoms industry partner at management consultants KPMG.

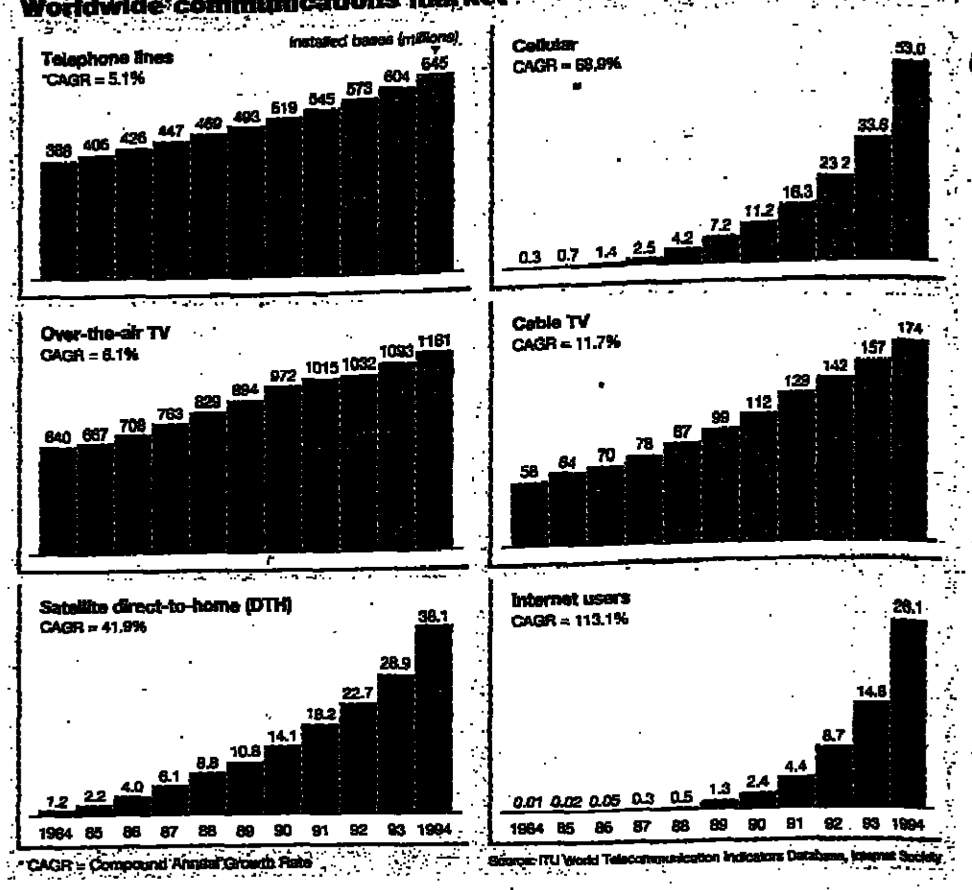
Mr Pye fears that SPs are in for a rough ride in a world where large integrated telecoms companies co-operate in creating trans-border systems.

York-based Cellhire is one SP that is trying to avoid these looming traps. Formed in 1987 to deal entirely with short-term rentals of mobile phones, Cellhire may lack the volume traffic of other players but it is dedicated to a highly profitable sector. Most of its business is with commercial clients. Marketing manager, Mr David Gill, says business users tend to run up bills of around £200 a month. This is what he calls "a very good *handset spend*".

Cellhire has developed a survival strategy that looks beyond the UK. It has entered into a partnership with American Cellular Rental. European travellers can sign up with Cellhire to get a mobile phone when they arrive in the US, and vice versa. This arrangement reduces Cellhire's dependency *on a difficult British* market.

The top 10 SPs control 70 per cent of the £1.3bn UK mobile communications market. Seven of those prime players are linked to network operators. Independent firms can thrive, but they will have to be nimble and smart.

Worldwide communications market



*CAGR = Compound Annual Growth Rate
Source: ITU World Telecommunication Indicators Database, Internet Society

Western Europe: by Richard Handford

Monopolies survive

The EC-backed drive to introduce greater competition has had mixed success

The award in October by the Irish government of a licence to the Esat Digifone consortium to compete in cellular services with the state-owned monopoly, Telecom Eireann, virtually brought to a close the European Commission-backed drive to introduce competition to every member state.

Over the past few months new operators have been licensed in Belgium and the Netherlands while newly licensed operators have just launched services in Italy and Spain. In the leading markets of France, Germany and the *UK, competition has been* established for several years.

Behind these developments is the EC's belief that pan-European competition, based around the common GSM digital cellular standard, will deliver lower prices and hence a higher take-up of cellular services among European consumers.

Liberalisation of mobile communications is well in advance of public, fixed telephony services, where – except in a few countries, *including the UK* – competition will not arrive until the start of 1998.

Scandinavia – where low prices for phones and services have led to high penetration – is often seen as the model for European cellular markets. Several factors are behind the Scandinavian phenomenon. In Sweden, for example, competition was introduced in 1992 by licensing two new rivals, Comviq and Nordictel (now known as Europolitan), to take on the *mobile arm of the state-owned* Swedish Telecom (now Telia Mobitel). Even then, however, penetration was around 7-8 per cent of the population.

Swedish Telecom was already offering affordable good service before the arrival of competition. This was partly the result of a close working relationship with Ericsson, the Swedish telecommunications manufacturer, which used its home market as a testbed for developing the cellular equipment that it has since sold all over the world.

There were also cultural factors behind Sweden's success. A wealthy, relatively small population clustered in the south of the country found cellular phones of great practical use when they were staying in their second summer homes in the north.

Moreover, Scandinavia – unlike other areas of Europe – was quick to take the introduction of common standards for mobile communications seriously. In the early 1980s, Scandinavian countries all built networks based on the common NMT-450 and NMT-900 standards that enabled customers to use their phones across the whole region. "Competition was not the single factor that led to high penetration and growth," as one civil servant working for Sweden's regulator, the National Post and Telecom Agency, observes.

Elsewhere in Europe, the argument appears simpler. For instance, the arrival of Mannesmann Mobilfunk, a consortium led by the German engineering group, Mannesmann, and the US cellular operator, AirTouch, transformed the *German cellular market*, previously under sole control of the state-owned DeTeMobil, part of Deutsche Telekom.

"Handsets became cheaper through competition," says a consultant, Mr Mathias Plica, of Plica Market Research. "To reach the same level of penetration with just Deutsche Telekom would have taken much longer. Instead of 3m users we would now have *maybe half a million.*"

In France, the introduction of Bouygues Telecom could yet shake up the market

A third German operator, E-Plus, however, has yet to make a significant impact on *the market, fuelling* the debate about whether more operators necessarily create more competition.

The UK is the only European country to have licensed four cellular operators. Superficially, the arrival in the market of Mercury One-2-One in 1993 and Orange in 1994 would seem to coincide with a leap in the number of subscribers. The UK has become the first European market to top 5m users, but neither One-2-One nor Orange seemed to have benefited greatly from the increased interest. Most of the growth has been soaked up by the two incumbent operators, Cellnet and Vodafone, which launched their services in the mid-1980s.

The majority *of new subscribers* to the dominant operators are consumers who have opted for one of the "low-user" tariff packages. These offer cheaper fixed charges but more expensive call costs compared with the traditional packages for business customers.

One-2-One has pitched itself to the consumer market but its network has lacked the geographic coverage to make a big impact on its rivals. Orange *has focused on growing at a* slower rate but attracting revenue-generating business customers. Recent signs are that it has reduced its prices to compete more aggressively with Cellnet and Vodafone.

In France, competition seems to have failed. The country has one of the lowest penetrations in Europe in spite of the presence for a number of years of a competitor to France Telecom, the state-owned monopoly. Société Française du Radiotele*phone (SFR), a consortium that* includes Vodafone and is led by Compagnie Generale des Eaux, has been partly hampered by the cost of the leasing lines from France Telecom. Even so, it seems to have taken a pedestrian approach to attacking its rival – which also appears content with a slow-growing market.

The launch *of a service* next year by a third operator, Bouygues Telecom, led by the Bouygues construction group, could yet shake up the French market: it promises significantly cheaper prices than those currently available.

Italy is an inverse image of the French cellular market. The state-controlled, Telecom Italia Mobile (TIM) – which has one of the fastest-growing subscriber bases in Europe – was, until recently, allowed to *run its cellular service as a* monopoly.

TIM is the first European cellular operator to clock up more than 3m subscribers and has done so by offering a competitively priced service. Its drive to win customers was partly a response to the threat of competition from the Olivetti-led group Omnitel Pronto Italia, which was licensed *last year* but only began its service this October. Also, TIM saw a huge, profitable market and, unlike France Telecom, *set out to* dominate it. TIM's success led to a spin-off this summer from its parent, Telecom Italia, into a *separately quoted* company.

If other western European countries emulate the penetration of cellular services in Scandinavia, *subscriber* numbers across Europe could reach 60m-70m, three times their current level. The factors behind *future* growth, however, will continue to vary in different European markets.

The EC parliament: some member countries are poles apart in terms of telecoms liberalisation

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■ **The US:** by Tony Jackson

The era of the 'flexible friends'

New legislation and a one-stop shopping approach could revolutionise companies

The US telecoms industry and the mobile communications industry within it are in a state of profound change. The cellular phone companies are having to face the prospect of regulatory reform and further technological innovation as well as uncertainties over the future direction of the market.

Since the US mobile phone industry is largely unregulated, the telecommunications bill making its painful way through Congress might seem of limited relevance. But the opposite is true. Under the new legislation, long distance and local telephony – until now kept apart by regulation – will be brought closer together. The conclusion is obvious: the fight is on to be the sole supplier to the customer of long distance, local and mobile telephony in a single package.

Mr Edward Whitacre, chairman of SBC Communications – still better known as the local phone company South Western Bell – says his company's research suggests 70 per cent of residential customers will want to be supplied by a one-stop phone company. As he freely admits, however, the local phone companies have one disadvantage: they cannot offer a mobile phone service nationally as AT&T can.

One likely consequence will be mergers, if not of Baby Bells then at least of their mobile phone networks. This has already happened between Nynex and Bell Atlantic, which between them cover most of the Atlantic seaboard. They also have a less formal alliance with AirTouch, the demerged cellular business of Pacific Telesis on the West Coast.

Mr Sam Ginn, chairman of AirTouch, says the alliance aims to launch services under a new national brand name by the end of the year. But there is a catch. Since it no longer counts as a Baby Bell, AirTouch already markets long-distance services in Los Angeles in combination with its cellular service, buying from AT&T and selling on at 10 per cent under AT&T's price. The aim is for Nynex and Bell Atlantic to offer a similar package, but they are not allowed to by law until the telecoms bill is passed.

Meanwhile, the arrival of mobile digital telephony and broad band personal communications service networks means US cellular capacity is about to explode. Some of the sums already invested in this are formidable. For instance, Sprint, the third biggest US long-distance phone company, has already spent $2.1bn with three cable TV partners on bidding for PCS licences in this year's government auction.

Some big players in the communications revolution have chosen not to get involved in this investment, on the assumption that industry overcapacity will make it possible to buy airtime cheaply for resale. One such is Time Warner, which from its starting point in cable TV, has ambitious plans for wireless telephony.

Another is MCI, the second biggest long-distance operator after AT&T. Mr Douglas Maine, chief financial officer, says the company can already command discounts of 25-40 per cent buying cellular for resale in a market that is supposedly short of capacity. In the next two or three years, he reckons, capacity will multiply at least 15 times. "There is going to be a glut," he says. "You can take that to the bank."

Naturally enough, this is a proposition the cellular operators deny. Granted, says Mr Ginn, his company is busy installing a new architecture that will increase its capacity by a factor of 10. One reason is that his analogue system risks being unable to cope with the present level of growth.

Expanding the network, he says, means incremental customers can be won very cheaply. Above all, if mobile telephony's penetration of the US market goes from 10 per cent to perhaps 40 per cent in the next five years, the customers will be there.

The question of market growth is slightly debatable. Even the present level of penetration is unclear: Mr Whitacre, for instance, puts it at closer to 15 per cent. There is general agreement that a figure of 40 per cent or more is achievable, but, as Mr Ginn says, the market will fundamentally change its character on the way there.

Already, he says, US demand for mobile telephony is moving from professional users to the consumer. "That leads to a period of confusion," he comments.

By contrast, he says, take Sweden – where market penetration is the world's highest at 22 per cent – or Germany. "The Swedes and the Germans have fundamentally been able to penetrate their consumer markets much better than we have ours. We are working on it, but we have to learn how to do it through the right distribution channels."

Meanwhile, there is debate on the role of paging. AirTouch is convinced that its customers will want paging as an integral part of the new unified package.

> To hide their apprehension, the rivals of AT&T accuse it of being a dinosaur

MCI is proud of its success in recent months in building a paging business from scratch, once more buying capacity from elsewhere and selling it under its brand name. But SBC, for instance, sold its paging business in 1993. Bell South, another Baby Bell, did the same in September.

The business is becoming concentrated in the hands of a few specialists: notably Paging Network of Texas, and MobileMedia of New Jersey, which bought both the Baby Bell properties. Paging is already established as a mass market product, with low and sensitive pricing points. The natural result is industry consolidation in pursuit of economies of scale.

In mobile telephony proper, the advantages of scale lie with the industry giant, AT&T, whose $11.5bn purchase of McCaw last year made it the biggest US cellular operator. Its rivals hide their apprehension by accusing AT&T of being, in effect, a dinosaur.

"Our research suggests," says an AirTouch executive, "that AT&T is seen by consumers as big, solid and dependable. We want to be seen as fast, friendly and flexible. We think that is an image more suited to the cellular market."

■ **Eastern Europe:** by Anthony Robinson

A land where money talks

New professionals increasingly covet mobile phones. But obstacles to market growth remain

The new business class of East and Central European is overwhelmingly young, ambitious and delighted to be making money, after decades when trying to become rich was a criminal offence. Being seen to be making money is even more delicious – and nothing is more ostentatious than doing a deal on a mobile phone, or even just faking it.

So mobile phones are a fast-selling commodity with great potential for future growth in a region where traditional telecommunications, although improving fast, still leave much to be desired. Growth is assured even though the national income statistics of the former communist world show that average wages are below $300 a month in central Europe, and much lower further east.

What the figures hide is the fact that income differentials have widened enormously since market reforms were introduced in 1990. Mobile telephones are as expensive in the east as they are in the west. But the cost is well within reach of the new professionals, often working for foreign companies and the new class of entrepreneurs. For them, the mobile telephone is a tool that keeps them in touch with clients and suppliers without having to rely on overloaded and outdated conventional telecommunications.

More than half a million subscribers now use mobile phones in the area of the former Soviet union, and the potential for growth is substantial. The concentration of mobile telephone users in the region is densest in the four "fast track" reform states of central Europe – the Czech Republic, Hungary, Poland and Slovakia. But in each of two of the smallest states in the region – the former Yugoslav republic of Slovenia and the Baltic state of Estonia with well under 2m inhabitants – there are more than 20,000 subscribers.

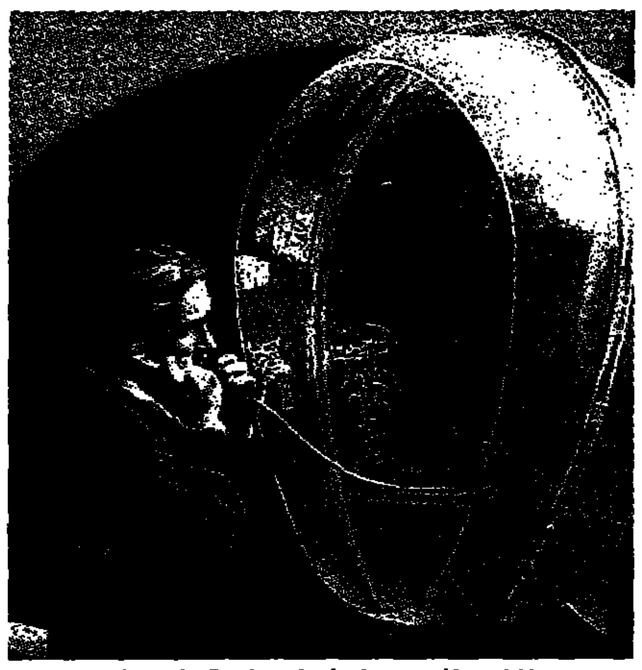
Pride of place, however, goes to Hungary, which has only 10m people but boasts more than 200,000 mobile subscribers. This is partly because so much economic activity is concentrated on the capital Budapest, and partly because Hungary has the largest number of foreign companies and is the biggest recipient of foreign equity investment. More than 30 of the world's top 50 companies are active in Hungary, which has attracted nearly $10bn in direct foreign investment over the past five years out of an East European total of around $22bn.

> In Poland, changes of government have aborted agreements

Poland, whose 39.5m inhabitants make it more populous than the other central European states put together, and which is enjoying the fastest economic growth in the region, is the next biggest market with more than 80,000 subscribers. By contrast Russia, the biggest and most populous country with more than 150m people, has fewer than 40,000 subscribers. They are concentrated mainly in Moscow and St Petersburg. This is only slightly ahead of the Czech Republic, which, by mid-1995, had a subscriber base of just over 35,000.

The Czech Republic has gained an enviable reputation for providing a transparent and competent environment for the modernisation of telecommunications in general, including mobile phones. This paid off earlier this year when the state received $1.47bn from the sale of 27 per cent of the state telecommunications company, SPT, to a Dutch-Swiss consortium that was chosen from a raft of high-quality bidders.

The first Czech mobile telephone licence was granted to Eurotel, a joint venture between the SPT, Bell Atlantic and US West. It currently operates a lower-frequency NMT network but was promised that it would be offered one of two higher frequency GSM networks when available.



Prague pay-phone: the Czech modernisation record is enviable Sarah Murray

This pledge has been honoured by the Czech government, which is currently assessing competitive bids for the second GSM channel. Among groups bidding for the licence are the Skoda engineering company, which has formed a joint venture, Skoda-Mannesman Mobile Com, with Germany's Mannesmann. A rival bid has been put in by another consortium comprising the Czech power utility CEZ, Germany's RWE Telliance and Airtouch Communications of the US.

The winning consortium will be allotted a 49 per cent stake in the second mobile channel, with the biggest proportion of shares remaining in the hands of Ceske Radiokomunikace, a majority Czech state-owned transmission company.

It is a very different story in Poland, which has had six changes of government since 1989. In 1991 the government of the day accepted $75m from the foreign partners of Centertel, the first mobile phone consortium, incorporating the Polish state telecommunications company, TPSA, Ameritech of the US and France Telecom.

At that time, the government was following the Czech model and the payment was meant to secure for Centertel one of the two GSM frequencies that would be available once they were relinquished by the military.

In August, however, the telecommunications ministry announced that both the mobile telephone operating licences would be on offer at between $200 and $400m each through competitive tender. This followed a change in the law that made competitive tendering compulsory, thus effectively negating the undertaking made by the earlier Polish government. The move caused great bitterness and Ameritech is threatening to take its case to international arbitration under the protection of foreign investment agreement Poland signed with the US.

Centertel, with 80,000 subscribers, has been a very profitable company. But it will have no future once the two new high-frequency channels are running. TPSA held 51 per cent of the shares, but management control was in the hands of the foreign partner. Its attempt to seize control added to the bitterness felt by the foreign partners, which are effectively barred from bidding for one of the two new channels by their original agreement with TPSA.

The two GSM licences, expected to lead to investment of between $1.5bn an $2bn, will not be awarded until March 1996 at the earliest.

Some potential bidders have been alarmed by the attitude of the Polish authorities. Bell Atlantic International, which had been planning to take part in a bid for one of the licences, has decided to pull out. Others could follow. Polish companies that have announced interest in forming consortia with foreign partners include several of Poland's largest state and private companies such as Elektrim, the chemical group Ciech, the Polish Power grid and Polish state railways.

Asia Pacific: by Jenny Walker

Tiger economies beat forecasts

The heterogeneous countries of Asia have one thing in common: huge cellular potential

This has been another milestone year for Asia's booming cellular markets with a rush of digital network launches and subscriber growth that has far outpaced forecasts.

China – which has been Asia's fastest-growing market for the past four years – is seeing 5,000 new cellular users every day and is now the world's fourth-largest market after the US, Japan and the UK. It is also one of only a handful of markets that will have doubled their cellular populations over the year.

What is truly surprising about Asian cellular markets is the number of countries that will have achieved exceptionally rapid growth this year. It includes developed economies such as Japan and Australia, as well as developing countries such as the Philippines, Korea, Indonesia and Malaysia.

According to statistics from the International Telecommunications Union, Asian cellular markets are growing much more rapidly than their European and American counterparts. Last year, for instance, Asian markets grew at 85 per cent compared with Europe's 60 per cent and the Americas' 53 per cent.

Analysts say this trend will continue to at least the end of the century, when Asia's share of the global cellular market will have risen from less than a fifth to more than a third.

While the broader industry trends that are driving cellular growth worldwide are at work in Asia as well – such as falling handset prices, lower connection charges, greater competition and increased attention to marketing – analysts believe Asian markets have "special factors" that are likely to push growth far higher than might normally be expected, especially in countries with low levels of GDP.

Among these special factors and conditions are:

- a lack of fixed-line phones or the possibility of a very long wait for a line;
- rising wealth and a growing middle class with a propensity to spend as well as save;
- cultural differences that make Asians more ready to accept and adapt to new technology.

Another factor is the amount of competition that Asian regulators allow. This is causing the number of service providers to proliferate. Malaysia has seven cellular operators, while the Philippines and Japan both have five.

In Hong Kong, where there are already four operators and nine networks, using five different analogue and digital technologies, the regulator is considering allocating up to 14 new licences.

While it is difficult to be precise about what will happen to Asia's cellular markets, much will depend on the extent of the economic and industrial development of each country.

Analysts widely expect developing markets such as India, China, Korea and Indonesia to show the steepest growth curves in terms of subscriber numbers, while the more mature markets of Hong Kong, Singapore and Japan will rely on the introduction of sophisticated new technologies to establish cellular as a mass consumer product.

This year, for instance, the Japanese market saw the commercial debut of the personal handyphone services (PHS). At charges of around one-fifth of cellular rates, the handyphone is expected to broaden the narrow base of the cellular phone in Japan from the business user to younger and lower-income groups.

Designed for use both in the home and on the street, its high capacity will accommodate data communication as well as voice, but it cannot be used in vehicles moving at speeds of over 30k an hour.

Despite this drawback, some analysts predict as many as 12m PHS users by 2000 and that the technology could spread across Asia.

Two groups bidding for licences in Hong Kong are said to be planning to use PHS in the colony and several other Asian countries including Australia, Indonesia, China, Vietnam, Korea and Malaysia are considering employing it in their own markets.

Meanwhile, in the domestic Japanese market – where until April 1994 mobile telephony had stagnated due to tight controls over the handset market and high service fees – the introduction of PHS this July was accompanied by a further explosion of interest in traditional cellular.

In little more than 18 months, the Japanese market has seen remarkable change. Cellular joining fees have fallen dramatically, by almost 80 per cent, monthly charges have been slashed in half, and airtime fees have slipped by roughly 20 per cent.

PHS is putting even further pressure on these rates.

The future for the Chinese market – which analysts believe will be among Asia's brightest – hinges on how its cellular operators harness the potential of a vast and increasingly affluent population in a country notorious for its lack of fixed-line phones.

Few doubt that the Ministry of Posts and Telecommunications (MPT) will achieve its aims of doubling or tripling the number of existing subscribers by 2000. The key question, however, is whether the newcomer United Telecommunications (Unicom) will be able to capture market share from the MPT, which has held a monopoly in the sector from day one.

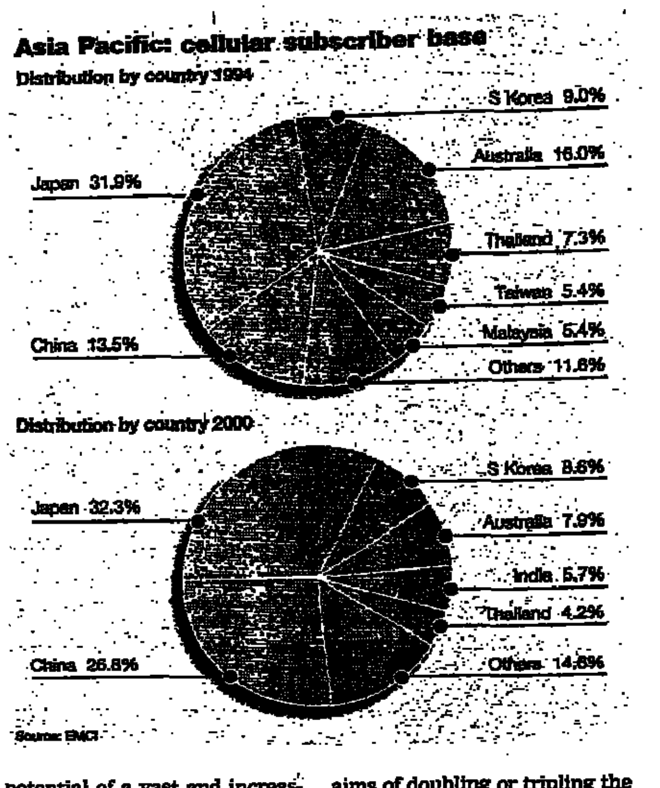
For western cellular firms, Unicom is offering partnership deals in return for upfront investments and the promise of an entry into a potentially huge market. Although it has just a handful of subscribers, Unicom's ambition is to achieve a 30 per cent share of the Chinese market by 2000.

Such deals were formerly impossible in China, where central policy prohibits direct foreign investments in the operation of networks.

Unicom, however, intends to tap foreign capital and expertise in ways that navigate these strict rules.

Ameritech of the US and Telesystems International Wireless Corp (TIW) of Canada have already teamed up with Unicom in the pursuit of its goals.

Unicom's potential, however, is still largely dependent on the outcome of its struggle with the MPT. With the latter still showing remarkable success in the cellular market, some analysts argue there is both little incentive for the regulatory and tariff reforms that would enable Unicom to compete on a level footing, and small hope of it achieving the scale of its ambitions.



Base stations: by Joia Shillingford

Small units' big leap

New wall-mounted cabinets are quelling some of environmentalists' concerns

"Mobile phone base stations and masts are sprouting on countless hilltops across our beautiful countryside, and towns are becoming blighted by unwelcome new landmarks," says Mr Tony Burton, senior planner at the Council for the Protection of Rural England.

It appears that the telecoms industry is abusing the fact that normal planning controls do not apply to the siting of mobile phone base stations. The CPRE says that outside areas of special protection such as Conservation Areas, National Parks and Areas of Outstanding Natural Beauty, it is generally the case that masts less than 15 m in height do not require planning permission, although the local authority is notified of the proposal.

Nor is the policy tough on larger structures. The relevant national planning guidance (PPG8) implies that the technical constraints faced by the operators might justify a slight relaxation of established policies.

Operators are encouraged to share masts and sometimes do so. For example, some base stations are located on the broadcasting masts owned by BBC Masts and National Transcom Masts. But there are no sanctions against operators that do not share.

Many CPRE branches receive complaints about mast proposals, but only a few appeals are successful.

The masts must go somewhere: the question is whether the mobile communications industry is looking hard enough for environmentally sensitive sites.

A survey by the Association of District Councils reveals that:

- In the borough of Macclesfield, two masts were erected within 200m of each other when operators refused to share.
- North Wiltshire District Council refused an application for a 20m mast in the village of Ford in the Cotswolds Area of Outstanding Natural Beauty, but lost the case on appeal.
- Castle Point Borough Council planners find it difficult to explain to local residents that they can do nothing about the towers ruining their neighbourhoods.

> In some countries, the fears centre on health risks

Although it is probably too late for these communities, the good news for areas like them is that smaller base stations are on the way. The UK cellular operator Vodafone says it is using mainly small cabinets for its digital services. These so-called micro digital cabinets (MCNs) are approximately 4ft high by 2ft wide. MCNs are usually located at the bottom of a mast and house the electronic circuitry needed for mobile communications. The trend is for the circuitry to get smaller, too, so that each cabinet can provide coverage of a greater area.

Mr Jan-Eric Stjernvall, product manager for GSM base stations at Ericsson Radio Systems, says Ericsson has developed a base station – the MicroRBS – that can be placed on a wall.

The antenna is integrated in the front and it looks like a flat television. Mr Stjernvall says miniaturisation has been possible because of high demand for extra capacity. The greater the base stations in urban areas are in number, the smaller they are in size.

Ericsson's MicroRBS, which should become available in 1996, can regulate the level of power in users' handsets, keeping it as low as possible so that batteries last longer.

Finland's Nokia is also about to manufacture a base station that can be mounted on a wall or on an antenna pole (for use in the countryside). Called Prime Site, it measures 40cm by 60cm and is about 14cm thick.

Mr Jouko Paivinen, vice president for base station sales at Nokia, says: "Base stations used to be the size of a cupboard or several cupboards, and built inside a shelter that needed heating and alarm systems. In future, they can be installed on an inside or outside wall. In the countryside all the clutter that used to go with an antenna pole will be cut out."

Various kinds of camouflage are possible for existing base stations. "Companies in the US are developing artificial trees that hide the antenna. The mast is hidden inside the tree and the tree is placed in a copse of real trees," says Mr Peter Odell, electronics packaging manager at Vero Electronics, which makes housing for base-station circuitry. Microcabinets or larger cabins tend to be painted green or made to look like log cabins.

In some countries, concern about the location of base stations extends beyond aesthetics to possible health risks from electromagnetic radiation.

There are no proven health risks from living or working near a base station. However, Mr Simon Best, editor of Electromagnetics & VDU News, a quarterly consumer publication), says he receives many calls from people worried about antennae going up on school or apartment buildings.

Vodafone, one of the four UK mobile phone operators, says its policy is to avoid putting masts on schools or hospitals because of the perceived risks. However, it believes the danger is negligible since its microstations always use power levels well within the safeguards.

In the US, San Francisco's school board has banned new mobile communications antennae from school roofs and will not be renewing leases for four existing cellular antennae. The board based its decision in part on the views of Dr Raymond Neutra of the California Department of Health Services.

In general, fears of possible links between cancer and quite low levels of exposure to electronic magnetic fields are growing.

Mr Odell, however, says: "I wouldn't be too worried if I had a digital base station on the roof so long as there was a reasonable amount of brick work in between [to attenuate the signal]. But I wouldn't live in a house under National Grid power lines, where the levels of radiation are much higher."

The move to digital: by Eden Zoller

Tomorrow, a world revolution

Although analogue networks are not dead, the future lies in systems such as GSM and DCS

The first analogue cellular mobile communications network was launched in Europe in 1981. The first digital cellular network, based on the pan-European GSM standard, was launched 11 years later in 1992. Yet in the space of just three years there are now as many GSM networks in Western Europe alone as there are analogue networks, while the number of GSM subscribers already accounts for 35 per cent of Western Europe's 20m users.

The UK Research and consultancy firm, Dataquest, predicts that in the two years' time revenues from digital cellular services world-wide will have overtaken those generated by analogue equivalents.

So what is so special about digital cellular? Put in the very simplest terms, in analogue cellular transmission the voice signal is transmitted in a continuous wave, whereas in digital cellular communications it is transmitted in short, timed bursts. During the pauses in one conversation the bursts of another can be accommodated. This means digital cellular technology has much greater capacity than its analogue counterparts. It offers faster call set-up times and greater voice clarity and uses encryption techniques to provide more secure communications.

Their greater capacity and spectrum efficiency make digital cellular technologies particularly attractive to governments in developing countries where populations are large but available frequency is in short supply.

Another big advantage of digital is that it supports a greater and more sophisticated range of value added services than analogue and is compatible with integrated synchronous digital networks (ISDN). For example, GSM networks can support a short messaging service of up to 160 characters to and from the mobile handsets. GSM can also accommodate a range of data services such as e-mail, facsimile transmission and access to on-line information services.

As markets mature, competition intensifies and the tariff prices tumble, value added services will be a weapon in the battle for new customers and help operators differentiate themselves from rivals.

The GSM is a pan-European standard that offers operators the additional added-value benefit of international roaming. GSM networks have now been deployed throughout Western Europe and are rapidly gaining ground in Eastern Europe and the former Soviet Union. They have also been installed in Australia, Hong Kong and India, and are being evaluated or adopted in most countries in the Asia Pacific region. In China – a huge market of 1.2bn people – GSM is emerging as the preferred digital cellular technology.

In addition to roaming, an important aspect in the global deployment of GSM is the potential for manufacturing economies of scale that will bring down the price of network infrastructure.

GSM is just one of a number of digital cellular technologies. Closely associated with it, is the DCS 1800. This is based on the GSM standard but is primarily designed for high user density networks, and supports small, low-power 1 watt and 0.25 watt mobile phones that cannot be used in vehicles.

In Europe, DCS 1800 has been adopted as the standard for the personal communications networks (PCN), which in the UK are Mercury One-2-One and Orange. There will be tremendous growth in PCN DCS 1800 networks in Europe over the next two years, and by the end of 1995 at least 17 licences to operate such networks will have been awarded.

The US also has a variant of DCS 1800 called DCS 1900, the only real difference being a higher frequency. In general, digital cellular technology has been slower to take off in the US than Europe, mainly because of the profusion of analogue services that have a very high penetration. It is estimated that there will be a modest 4.85m digital cellular subscribers in America by the end of 1998.

GSM has only recently gained a small following in the US among the personal communications services (PCS) operators licensed at the end of last year. PCS is the US equivalent of PCN, and as yet none of the US PCS operators has started commercial services. By far the dominant digital cellular standard in the US is the native Digital Advanced Mobile Phone Service (D-Amps). D-Amps has been developed from the analogue Amps cellular technology deployed in the US, which allows a clear migration path from analogue to digital amps.

Another important digital cellular technology that originates in the US is Code Division Multiple Access (CDMA). CDMA is often pitched as the rival to GSM, which uses a different digital transmission technology, Time Division Multiple Access (TDMA). CDMA promises to be a state-of-the-art digital cellular system giving improved quality voice communications and even greater capacity than existing digital standards. However, it is an untried technology and equipment is not yet commercially available.

Digital Amps is rivalling GSM as one of the most popular digital cellular exports. D-Amps has been installed in Canada, South America, the Asia Pacific region and the former Soviet Union.

CDMA, however, has not travelled very well, possibly because the technology is so immature, and so far South Korea is the only country to adopt it as its chosen digital cellular system.

In preference to GSM, D-Amps and CDMA, Japan has developed its own digital system, Personal Digital Cellular (PDC). PDC has not been taken up outside Japan, despite the government's attempts to spread the word and persuade other countries in the region to adopt the standard.

East meets west: Shanghai, where European influence is extending to the adoption of GSM technology

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■ **Data services:** by Paul Taylor

Specialists in search of a mass market

The advance of digital technology hugely increases the potential of mobile data

While cellular voice services have been a spectacular success in most markets, mobile data has failed to live up to early optimistic expectations and has generally been relegated to vertical niches such as vehicle fleet management.

"The slow growth of mobile data services has been a disappointment to industry providers, manufacturers and potential customers," says MTA-EMCI, the Washington-based telecommunications consultancy.

"Despite an increasing variety of mobile data equipment, multiple mobile communications networks and advances in applications development, the mobile data industry (in the US) served less that 1.2m customers by mid-1995," MTA-EMCI says in a recently published report.

As a result, most market analysts have downgraded their predictions for mobile data market growth in the 1990s while network operators and others have reassessed their investment strategies.

Most analysts concede that the market for mobile data has been constrained by customer concern over a number of factors, including competition between mobile data services, the lack of standards, the price of equipment and complex and expensive applications.

This confusion is understandable. In the UK, for example, excluding pager traffic, mobile data services are available from both analogue and digital cellular telephone network operators, dedicated mobile data network operators and private and public access mobile radio networks – all using incompatible standards and equipment.

Nevertheless, most analysts still believe that mobile data has the potential to become a mass market on both sides of the Atlantic by the end of the decade.

In the US, MTA-EMCI believes that the mobile data subscriber base will grow to about 5.2m by the end of the 1990s, and that annual revenues will increase from $273m this year to $1.5bn.

MTA-EMCI believes that cellular and specialised mobile radio (SMR) carriers will capture the largest shares of the emerging US market, leaving other carriers, including dedicated mobile data-only services such as Motorola's Advances Radio Information Service (Ardis) and Ram Mobile Data, "to carve out their niches in the market".

> In the US, researchers believe the subscriber base may be 5.2m by the end of the decade

Ovum, the UK-based consultancy, predicts that the total number of subscribers in Europe and the US will climb to about 18.1m by the end of the century. In Europe, one of the key factors fuelling growth in the market is the success of the GSM digital cellular networks that have been built over the past few years.

Mobile data services are possible over analogue cellular networks such as the older networks in Europe and those in the US, but the pan-European GSM standard is much better suited to data. Despite these inherent advantages, it is only in the past year or so that GSM operators have begun promoting mobile data services, and some GSM operators, including those in France, have yet to implement them at all.

Where GSM networks do support data they enable subscribers to combine both voice and data applications using a suitable digital handset – for example, some models from Nokia, Motorola, Siemens and Mitsubishi – a handheld or notebook computer and a credit card-sized PCMCIA data card.

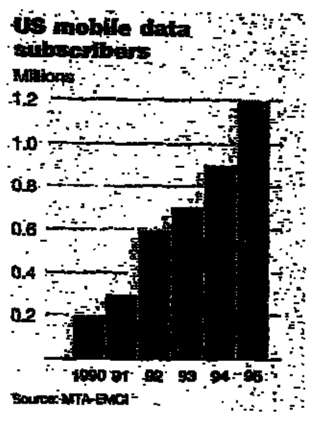
The attractions of accessing both voice and data services using the same handset give cellular networks, particularly digital networks, a distinct advantage for some users, despite generally higher costs.

For example, Mr Graeme Birch, network consultant for Unisys's worldwide telecoms, has chosen a GSM solution for the computer group's European-based installation and software services teams in preference to dedicated mobile data, "because of its coverage and ease of use".

In the UK and in many other countries, two-way public access mobile radio provides another alternative for those seeking to mix voice and data. NB3 in the UK, which is owned by Geotek of the US and has around 52,000 voice-only subscribers, offers its customers unlimited access to its national voice and data network for £63 a month.

In the US, where an increasing number of SMR operators have begun to offer data services, 96,000, or 5 per cent, out of 1.8m SMR subscribers at the end of last year were using wireless data. Data customers use the networks most frequently for automated vehicle location, facsimile and scheduling.

US mobile data subscribers



Source: MTA-EMCI

Dedicated mobile data networks such as Ardis and Ram Mobile Data, which use SMR frequencies for their data-only networks, have managed to achieve widespread metropolitan coverage throughout the US, but, ETA-EMCI argues, "have suffered a competitive disadvantage by lack of voice services, a lack of equipment choices and limited distribution network".

Both networks have managed to expand their customer base. However, ETA-EMCI notes, "the two network's sustained success depends upon the availability of shrink-wrapped, intuitive applications and the sales through indirect channels, such as computer and office supply stores".

For similar reasons, the dedicated mobile data networks in the UK, Ram Mobile Data, Cognito and Securicor Datatrak, have also placed particular emphasis on developing applications.

For example, Cognito, which claims to be the biggest data-only network with more than 6,000 subscribers including Olivetti, Electrolux and Rank Xerox, has recently launched an integrated automatic vehicle location and messaging system called AVLplus that works in conjunction with Global Positioning System satellites.

Similarly Ram, which uses Mobitex technology developed by Ericsson, the Swedish telecommunications equipment manufacturer, has recently won a contract to handle all mobile data and fleet tracking communication across the UK for IBM's Multi-Vendor Service Business.

In addition to these data services a number of other alternatives has emerged. In the US, which has yet to agree on a digital cellular standard, the limitations of analogue cellular data led IBM and a consortium of eight cellular carriers to develop Cellular Digital Packet Data technology that can be overlaid on existing analogue networks.

However, the future of CDPD is now uncertain due to limited deployment plans and nominal product introductions. By the middle of this year, CDPD services had only been deployed in 24 metropolitan markets and AirTouch Cellular suspended its CDPD plans earlier this year, citing lack of demand.

Meanwhile, several mobile satellite operators, including Qualcomm, already offer data services. Their ranks will be swollen over the next five years as a raft of new satellite operators – among them, Iridium – launch voice and data services. Overall, MTA-EMCI predicts that mobile satellite companies can expect to earn 23 per cent of the mobile data revenues by the end of the decade or about $336m in the US.

However, growing competition for the limited number of mobile data customers could begin to force down prices. This, coupled with the arrival of second generation wireless communications-enabled portable digital assistants (PDAs), could finally ignite the mass mobile data market.

■ **Paging:** by Kris Szaniawski

Operators push low-cost advantage

Two-way services are adding to the attractions of cellular telephony's cheap alternative

Paging has long been the poor relation to mobile cellular telephony, but operators are now fighting back.

On the one hand, they are making a virtue of necessity and stressing paging's traditional benefit of cheapness, seeking to outdo mobile cellular operators in the consumer market with a cheap and cheerful product image.

On the other hand, they are seeking to offer business customers mobile data services that match those of cellular operators in sophistication.

The consumer market is being primarily addressed by calling-party-pays (CPP) services. Unlike traditional services, these usually carry no connection fee and no subscription or use charges. The only cost to the user is the price of a paging unit, which, in the UK, is usually under £100. The operators make a profit by charging premium rates to the callers who send messages to the pager.

The services are primarily aimed at teenagers or students who want to stay in touch without having to pay high monthly fees or call charges. They are the target for products such as Swatch wristwatch pagers.

Since the first CPP service was launched in Sweden two years ago by the state-owned operator Telia Mobitel, half a dozen European operators have launched CPP services and most are growing quickly.

A lively consumer market is developing in France, where two CPP services are vying with each other – the Taboo service run by France Telecom's paging arm, FTMR, and the Tam Tam service run by the rival operator, TDR. Pagers are available for as little as FFr590 (£77) and units are being launched all the time in a bid to attract fashion-conscious consumers. FTMR plans to to launch a Motorola pager backed by the cult MTV cable television channel next year.

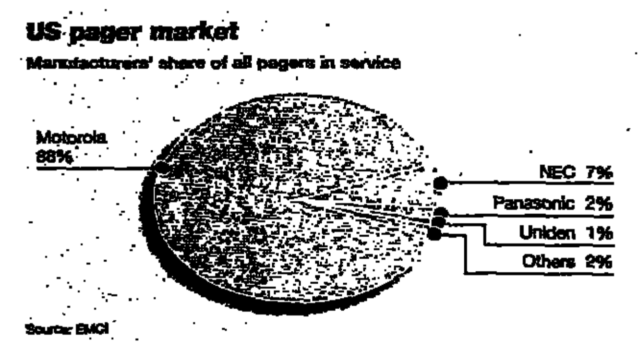
But change is not confined to the consumer market. Rapid progress has been made in advanced messaging. Today up to 10,000 numeric or alphanumeric characters can be sent – originally, the limit was 160. Pagers can be hooked up to laptop computers, faxes, electronic mail, news and business information services and the Internet.

"There is an increasing trend worldwide to use paging networks to broadcast business and private information that needs immediate attention," says Mr Jacques Couvas, chairman of the European Public Paging Association (EPPA).

Pagers not only match the capabilities of GSM digital cellular networks in supporting mobile data services but also – because they use frequencies more efficiently than GSM – have less vulnerability to congestion problems.

US pager market

Manufacturers' share of all pagers in service



Source: EMCI

Mobile cellular operators in general – and GSM operators in particular – are increasingly making available short-messaging services along with other data applications. "More competition with cellular operators could be to paging's advantage," says Mr Luca Tassan of the consultants MTA-EMCI. "If data services are marketed as data services in themselves and not as merely a supplement to voice services then this could well stimulate the paging market."

The European Public Paging Association is currently lobbying national and international regulators to obtain the necessary frequencies for advanced paging services and roaming.

Traditionally, you could only use a pager within one country. With the liberalisation of telecoms markets and the emergence of international standards such as Ermes (European Radio Messaging System) international roaming is being made easier. In October, the Swiss PTT Telecom and the French paging operator, TDR, announced the world's first roaming agreement between two paging networks based on the Ermes standard.

Five European paging operators already offer a "Euromessage" roaming service between the UK, Italy, France, Switzerland and Germany on pagers based on the traditional Pocsag standard.

Ermes is being actively promoted by the European Commission as a pan-European standard and has been adopted by the International Telecommunications Union (ITU) as the recommended paging standard for international use.

The adoption of a common international standard would also lead to economies of scale in production and so result in lower user prices.

Five commercial Ermes services have been launched this year – Infomobile, TDR and France Telecom in France and Eurohivo and EasyCall in Hungary. A number of other European operators are preparing to introduce Ermes services over the next six months in Belgium, Cyprus, Denmark, Finland, Sweden and Switzerland.

Earlier this year, the Ermes Manufacturer's Marketing Association (Emma) was formed to promote the standard outside Europe. Interest appears to be strong. The Saudi Arabian PTT is preparing to launch before the end of the year what will be the world's largest Ermes system – with the capacity for 772,000 subscribers. Activity is also likely in Kuwait and Bahrain, and the Malaysian operator Celcom is planning the introduction of an Ermes service before the end of the year.

Two-way paging – which allows subscribers to acknowledge receipt of a paging message or choose one of a number of set return messages – is another big new development in paging. The US-based paging company, Mobile Telecommunications Technologies Corporation (Mtel), launched the first two-way paging service in September – a national service called SkyTel 2-Way. Other US operators have announced similar plans. Last year's auction of radio frequencies for narrowband Personal Communications Services (PCS) attracted considerable interest from companies eager to explore new value-added paging opportunities.

In Europe, developments are at a less advanced stage – the Ermes Memorandum of Understanding (MoU) steering committee has just formed a working group to consider the potential of two-way paging services, but real development is still some way off.

The market potential in Europe is enormous if paging operators can find a way to unlock it. There are now around 4m paging subscribers in Europe but the paging penetration is still only just over 1 per cent. By comparison, the US has a penetration rate of around 8 per cent and in Asia it is as high as 15 to 25 per cent.

The US paging industry added over 7m subscribers last year and is expected to continue to experience high growth rates in the future. MTA-EMCI predicts that by the end of the century more than 50m pagers will be in use in the US, the majority of which will be for consumer purposes.

The Asia-Pacific region is similarly fertile ground. MTA-ECMI forecasts that the number of subscribers there will more than triple to 70m by the end of the decade. The Chinese paging market alone has doubled annually since 1992 and is still going strong, with 20m subscribers expected by the end of this year.

In the Asian market paging has proved to be very popular as a cheap alternative to mobile cellular services.

Students: a target for services such as the Swatch pager — Tony Andrews

■ **Fighting fraud:** by Paul Taylor

Crime crackdown

Fraud management software can help reduce abuses. But it may never eliminate them

A new epidemic is sweeping across the globe – mobile phone fraud. According to most estimates, mobile phone fraud already costs the industry between 5 and 15 per cent of revenues and is growing. In the UK alone where there are now 4.5m cellular subscribers, mobile phone fraud will cost the four network operators about £100m this year, up from just £34m in 1994. The bulk of this is lost in simple theft, or in the running up of bills that are never paid. People buying mobile phones often give false names and then use the telephones fraudulently – often to call overseas numbers – until they are reported stolen or the call activity is noticed by the network operator.

> Many stolen phones find their way to 'cloning' laboratories

About 14,000 handsets are stolen each month in Britain, with around 70 per cent disappearing from parked cars. However, losses have been highest in places such as eastern Germany where the credit guarantee system is still developing and where purchasers are not easily identified.

Many stolen phones in Britain and elsewhere are believed to be exported while others find their way to "cloning laboratories" run by organised criminals. About 4,000 cloning incidents are reported in Britain each month – a five-fold increase over the past year. Cloning involves programming usually stolen analogue phones with the telephone number and the "electronic signature number", or ESN, of legitimate handsets. These electronic codes are intercepted by eavesdropping on ordinary cellular phone calls using radio-scanners.

After the stolen handset has been "cloned" with the code of a handset that is already in use, the phone is often reconnected to a network through a dealer or service provider that did not ask about the phone's history. In Britain the dealer picks up a commission fee of perhaps £300 for making the reconnection, the thief pockets possibly £20 from the dealer – and, depending on how the cloning has been carried out – the new user of the phone makes his calls free, with the bills going to the owner of the phone with the original code.

In the UK, the Federation of Communications Services, which represents many of the big names in the industry, including all four network operators – Vodafone, Cellnet, One-2-One and Orange – and most of the UK's 40 providers of mobile phones services, reckons there is a hard core of possibly several hundred dealers who are fed many of the stolen phones. Despite this, under the British Telecommunications Act, which was drafted before cellular communications took off, neither cloning nor reconnecting a phone with a new identity (re-chipping) is a criminal act. (In the US, it has been a federal offence for more than a year, and some states outlawed it even earlier.)

Things, however, may be about to change. Last month, after a joint industry and government study group suggested the possession of cloned phones and equipment should be an offence, Mr Ian Taylor, Britain's science and technology minister, said the government would consider changes to the law. Meanwhile, the industry is also beginning to police itself more effectively by setting up teams of investigators to probe the activities of the large number of dealers and service providers and a highly active "second-hand" phone market.

Nevertheless, most industry analysts acknowledge that the battle against the fraudsters is a long way from being won and that further action is needed. One of the most promising recent developments has been the addition of extra electronic codes into radio messages to make cloning more difficult. In the UK, Vodafone is introducing to new subscribers a system that changes the character of the code every time a call is made. Vodafone's new Authentication software adds a third number to the string transmitted by the phone before the call is connected. Unlike the other two numbers, this third number, called a Quasi-ESN, will be re-computed each time the phone is used – making it useless if it is intercepted. Subscribers have to enter a 16-digit code sent to them by Vodafone to activate the Authentication software.

> The British government is considering changes to the telecoms law

Most analogue cellular network operators also use sophisticated network monitoring software to identify clones and other forms of misuse. Aside from detecting when two apparently identical phones are in use, this type of software also watches for various forms of "unusual activity".

"Most fraud generates some sort of unusual behaviour," says Mr John Coleman of Logica, the UK-based computer services group that has developed a number of applications for cellular network operators.

Fraud management software, which is based on noticing exceptions to rules, will spot if two calls are made from opposite ends of the country within half an hour of each other. Since fraudsters have proved adept at circumventing controls, Mr Coleman stresses that the software must be flexible and allow rules to be changed easily. "It is an area of strong investment on behalf of the operators," he says, "the fight is being taken to the fraudsters."

Network operators are also pinning their hopes on the gradual switch from analogue to the newer digital networks such as GSM systems. Digital systems are far harder to clone than analogue because the signal is encrypted.

Nonetheless, for every sophisticated system there is, it seems, potentially an equally sophisticated fraudster. Most industry security experts, including Logica's Mr Coleman, now believe the respite will only be temporary. "Cracking the digital networks is just a matter of time," he says.

PROFILE **Finnish cellular manufacturer, Nokia**

Success story hits critical point

Nokia of Finland has ridden the mobile phone revolution as spectacularly as any of the world's telecommunications companies, raising its international profile to an extent unimaginable three years ago.

By far the biggest company on the Helsinki bourse – with a market share approaching 40 per cent – it briefly became the Nordic region's biggest group by market capitalisation earlier this year.

Nokia is best known as the world's second-biggest maker of mobile handsets after Motorola of the US. According to one estimate, it will make around 10m phones in 1995, almost double last year's level. Its global market share is "clearly above 20 per cent", according to Mr Jorma Ollila, its chief executive.

The group has a much smaller position in the mobile infrastructure market, trailing Sweden's Ericsson and AT&T of the US for example, but its market share is growing because of its strength in new systems, such as DCS 1800.

Luck and judgment have helped get the group where it is today. The luck element was that the Nordic countries were the first in the world to set up a common mobile phone standard, the NMT, back in the early 1980s. This kick-started the interest in mobile phone technology that has put both Nokia and Ericsson at the forefront of the business ever since, while assisting the penetration of mobile phones throughout the Nordic region.

Sweden, Finland and Norway lead the world in terms of mobile phones per head of population.

The element of judgment has been Mr Ollila's strategy of turning the group from a sprawling conglomerate into a tightly focused telecommunications group. The result is that a company once better known for producing lavatory paper and rubber goods is today unambiguously known for its telecom activities.

In 1994, Nokia made a FM4bn profit, up 250 per cent from a year earlier and a record for a Finnish company.

The first eight months of this year continued to show the group's strengths – profits up 58 per cent at FM3.62bn; sales up 55 per cent at FM22.9bn. The performance was underpinned by the mobile phone division, where sales rose 59 per cent to FM9.57bn, and by the telecommunications division – which makes infrastructure for fixed and mobile systems – where sales climbed 51 per cent to FM6.38bn.

These results, although good, were not good enough for a market hungry for pleasant surprises. There were clear signs of slower growth in the mobile division in the next four months and the disappointment, felt most keenly by US investors, triggered selling in Nokia's shares, which fell around 25 per cent in the weeks after the figures were announced. Set against the 30-fold rise in the group's shares (adjusting for splits) over the past three years, a correction at some stage was inevitable.

The immediate cause for concern is the US, where Nokia, like Motorola, has discerned a slower pace of market growth and increased price pressures. "US growth will continue but most likely not at the same rate we have seen over the last few years," says Mr Ollila.

The US handset market accounts for an estimated one in four of Nokia's sales and around 12 to 13 per cent of group sales.

Mr Ollila notes that the US is dominated by analogue phone technology while Nokia's strength is its faster-growing and higher-margin digital business. The shift towards digital in Asia and Europe means Nokia's global digital sales will soon surpass its analogue business.

Most analysts say Nokia's US problems have been over-estimated. "This is a quality company with worldwide reach in a growing market," says Mr Peter Roe, telecoms analyst at Paribas Capital Markets in London.

But competition is almost certainly going to get tougher as groups such as Siemens of Germany and Alcatel of France step up their mobile phones drive. There are also new standards to cater for, such as the CDMA digital operating system, which has taken a healthy slice of the US personal communications services market.

It is, however, possible to over-estimate the competition. There are few signs yet of potential rivals delivering the sort of volumes that could threaten Nokia. And the business is altogether more sophisticated than is sometimes suggested.

"The idea that a mobile phone is like a Sony Walkman is a myth. The software content is crucial," says Mr Richard Kramer, telecoms analyst with Kleinwort Benson in London.

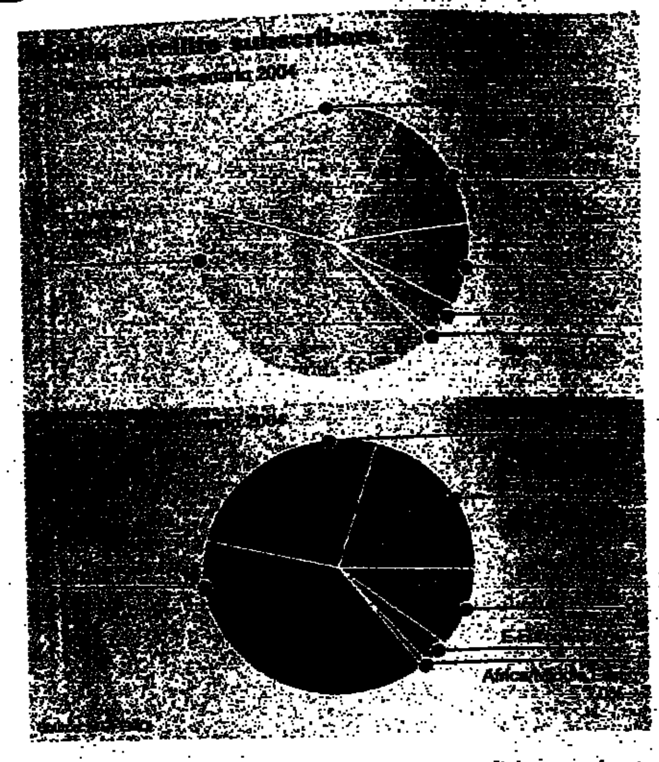
Question marks remain over Nokia's consumer electronics unit. This business caused the group significant losses earlier in the decade and it again ran into problems in the first eight months because of lower European television sales. But in a significant change of strategy, the group has indicated it no longer intends to sell or wind down the business, preferring instead to see it as a core part of its investment in multimedia. This is a gamble, but it may well give the group a head start in exploiting the convergence of voice, image and data technologies in the years ahead.

Christopher Brown-Humes

Global satellite services: by George Black

Developers reach for the stars

Can the equipment needed to receive satellite signals really be squeezed into a handset?



Leading telecommunications companies worldwide are racing to develop hand-held satellite telephone services.

Briefcase-sized phones that weigh about 9kg and operate via satellite are already in use but they form a specialist and still rather expensive market.

Within a few years, however, as the technology is refined, prices fall and the commercial and regulatory framework is established, the market for them could be huge.

Satellite phone systems are being developed to overcome the limitations of analogue and digital cellular mobile phone services. The geographical reach of cellular phones is currently limited: calls to distances beyond the local area must be connected through earth stations to satellites.

The promoters of satellite phones argue that these new services will not compete with their digital cellular contemporaries. They will be aimed, they say, mainly at users in less densely populated areas and in places where cellular services do not exist. They point to very low projected penetration rates for cellular phones in the potential world telecommunications market.

Future satellite phones are expected to be able to switch automatically between the earth network and the satellite network as users move in and out of areas covered by cellular systems.

There are considerable technological, commercial and political obstacles still to be overcome. Developers are struggling to make the phones small enough and light enough to be acceptable to users. The objective is to squeeze the apparatus of an earth station capable of sending and receiving satellite signals – the size of a truck a few years ago – into a gadget no bigger than a cellular phone.

The satellites themselves also have to be developed and launched and there are differences of opinion about whether existing geostationary orbits or the new alternative low-earth or medium-earth orbits will provide the best balance between cost and power.

In addition, there are huge challenges in setting up the technical and commercial arrangements between telecommunications operators worldwide, says Mr Pat McDougal, vice president of business development and external relations for Inmarsat, the international mobile communications organisation.

Prices are falling fast. Handsets that cost £12,000 18 months ago now fetch £6,000 and by 2000 could be bought for as little as £1,500. Calls can now cost as much as £3 a minute, but this could drop to £1 as tariff levels are simplified.

Deregulation of telecommunications internationally is needed to create more confidence in the market and help speed up technological development. Governments currently are trying to make rules in a market that looks very hard to regulate effectively and which most participants think would be better left to itself. Many governments have yet to be persuaded to see the market as global and to commit themselves to policies of openness rather than continuing to try to protect what they see as national interests.

But the industry is optimistic. "Country by country, restrictions are being broken down as governments realise the benefits of communications for trade and tourism," says Mr Bob Chewter, UK marketing director for Nera, a Norwegian supplier of Inmarsat equipment and services.

Mr Chewter notes that the Gulf War in 1990-91 did much to spread awareness of the importance and capability of global communications systems.

There are also issues of spectrum availability; Inmarsat is pressing for its allocation of spectrum to be brought forward from 2005 to 2000.

It has a head start in this market, but faces competition from several other projects, notably Iridium, Globalstar and Odyssey. It is preparing to launch satellites that will allow the use of smaller and lighter terminals.

Earlier this year, it set up a new UK-based company, Ico Global Communications, in which it is the principal sponsor and a leading shareholder. Ico is intended to bring phone services via 12 satellites and 12 regional switching stations to the market by the end of the decade.

It has raised $1.5bn, but will need the same amount again to see the project through. Mr McDougal says he is confident that the organisation will be able to raise the rest of the money from existing and new partners.

Inmarsat has signed up Hughes Electronics Corporation as an investor; Hughes will make and launch its satellites and design the earth stations. Nokia of Finland, Ericsson of Sweden and NEC of Japan hope to supply handsets.

Governments have yet to see the market as international

Mr McDougal says none of the barriers is likely to delay the launch of services beyond 2000. "It is a realistic prospect, but one that requires a lot of work to be done," he adds.

Three of Inmarsat's main challengers are based in the US. Iridium is a consortium led by the telecommunications company, Motorola, which plans to start the launch of a ring of 73 satellites in 1997. Globalstar is a rival led by Loral, a leading US defence electronics company; Odyssey is an initiative by a group that includes TRW, the US aerospace company.

They are competing not only to develop the technology but, more importantly, also to raise the money needed to support their efforts. Experts question whether they can all succeed; they have together raised around $5bn, but will need to more than double that amount to fulfil their prospectuses.

There will also be strong competition from several regional satellite companies using the geostationary orbit of existing satellites, rather than the planned new orbits of the global services.

The satellite owners may decide to subcontract that part of the business to existing mobile phone network operators.

It seems unlikely that these will ever become mass consumer services in the industrialised countries, but they could be the standard form of communication for rural communities in many parts of the world.

In industrial societies they will attract buyers among business travellers, commercial vehicle drivers, transport companies and emergency services operators.

The developers are convinced that these market sectors will be sufficient to make a profitable business. However, not all of them may survive, at least in current form. There could well be mergers, acquisitions and withdrawals between now and 2000.

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2 BIOTECHNOLOGY

■ **Venture capital:** by Lucy Clarke

Investors become more cautious

Risk takers are looking for a surer payback and a bigger say in development work

The relationship between venture capitalists and biotechnology is changing.

Stung by costly product failures and trapped in investments in companies that are still years from a marketable *product and revenue stream*, many investors are steering clear of the sector.

In the UK, only about 25 venture capitalists specialise in biotechnology financing and they are dominated by a few companies – Rothschild (through Biotechnology Investments and International Biotechnology Trust), 3i, Abingworth Ventures, Apax Partners and Schroders.

In the larger US market, 336 venture capital companies are dedicated to biotechnology, according to KPMG Peat Marwick. European investors, such as Atlas Ventures in the Netherlands and Sofinova of France, are also dabbling in the sector.

Nowadays, venture capitalists have a far clearer idea of what they want from their investments. In contrast with the dizzy mood of the 1980s, *early-stage companies are now* almost universally shunned by these investors.

"They want clinical data, potential revenues and cash flow," says Robert Esposito, partner and national director of life sciences at KPMG. Venture capitalists have not lost interest in the sector, he contends, but they want to become involved later in the development process, when the company will attract a higher valuation and public investors can be brought in.

The lessons of the past have been learned following headline-making product disappointments such as treatments for sepsis – Centocor's Centoxin and Synergen's Antril – and the premature company flotations of 1990-1992. Investors also realise that the fully integrated biotechnology companies, such as the US giants Amgen and Genentech, which have seen rapid product development and hefty profits, are models that cannot be duplicated.

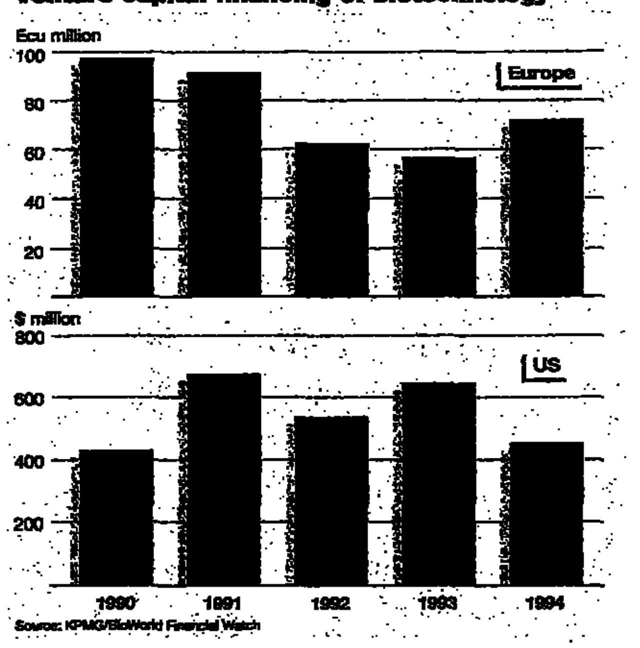
The technology to be mastered by the new generation of companies is becoming more *sophisticated and the targets of* their research – such as cancer, Aids and Alzheimer's – more complicated. "Their technologies are not 'me-toos', but more complex than traditional pharmaceutical research and development. They are real novel breakthrough areas which involve more trial and error and very, very long R&D phases and clinical trials," Mr Esposito comments.

Biotechnology absorbs a lot of money and the venture capitalist must discover how to contain costs while nursing products through development. As such, biotechnology companies are increasingly viewed as research and development boutiques rather than fully fledged companies.

Without a revenue stream, it is too expensive to try and create an integrated operation, so the "virtual" company model is becoming increasingly prevalent, with outsourcing of R&D, clinical trials and regulatory work. "Venture capitalists are *pushing for a smaller infra*structure and trying to run companies down to the bare bones because they can no longer rely on the public equity markets to provide further funding," Mr Esposito says.

Venture capitalists are also trying to anticipate the future fate of their investment. For example, they favour companies that can be merged or allied with a pharmaceutical major or another biotechnology entity, or which has technology that can be spun off to a third party. This softens the overall risk and reduces infrastructure investment.

Venture capital financing of biotechnology



Source: KPMG/BioWorld Financial Watch

On the other hand, says Robert Lucas, director of biotechnology investments at 3i in the UK, they also realise that they must remain locked into their deals for longer. He estimates that investing in a biotechnology company means an average commitment of seven years, comprising the initial investment and three subsequent rounds of funding.

3i has built up a portfolio of biotechnology investments over 15 years. The secret is to keep up "steady investment in the best investment opportunities", Mr Lucas maintains. Moreover, the company values people above technology because "you need a good management team with the ability to exploit opportunities and take the pressure off 3i".

Jeremy Curnock Cook, a director at Rothschild Asset Management in the UK, agrees. "The most important assessment, especially in early-stage investments, is of the individuals involved. Good teams will be resourceful if the first product fails, while a poor team can destroy good science through mis-management."

It is a view echoed inside the industry by Paul Haycock, chief executive of Cantab Pharmaceuticals. "Management *must be of a calibre to attract* venture capitalists and inspire confidence. While bright ideas and a well thought-out business plan are essential, nothing will work if you haven't got the right people."

The mega-mergers in the pharmaceutical sector help to supply those people. Many key management figures are switching from mainstream drug companies to the biotechnology sector. They include Rolf Stahl, formerly director of marketing at Wellcome, who became chief executive officer of Shire Pharmaceuticals; Martin Preuveneers, who joined Therexsys as CEO from Glaxo Wellcome; and Keith Adams, who left Hoechst to become financial director of Biocompatibles.

British Biotech, which was the first UK biotechnology company to float successfully on the London stock exchange in 1992, was also set up by *defectors from* the pharmaceutical mainstream. Both Keith McCullagh, chief executive, and co-founder Brian Richards came from Searle. Although they had no products, technology or patents, their track-record and industry clout was able to attract four venture capitalists with £2.6m when they started up in 1986.

> The sector should benefit from the stock *exchange*'s greater accessibility for young companies

British Biotech's success was down to its business plan, which included the likely timing of the flotation, says Dr McCullagh. "As long as a flotation is planned, then venture capitalists are willing to invest because it means they can bypass additional investments in the company."

One exception to the trend of investing in later-stage biotechnology projects is the UK venture capital company, Prelude Technology Investments. Based in Cambridge, it exclusively backs start-up companies because it believes value can be added to seed companies at an early stage.

For a relatively small amount of money, a large equity position can be secured. Prelude can then help bring together management teams. At a later stage, the bigger investors, such as Biotechnology Investments, International *Biotechnology Trust and 3i*, can be brought in, says Andrew Allars, a director at Prelude.

Proof of Prelude's vision is its investment three years ago in Peptide Therapeutics, the UK biotechnology company which has announced its intention to float on the London Stock Exchange before the end of this year. "PT was worth the risk because it had identified two large therapeutic areas – allergies, including the growing markets of hayfever and asthma, and rheumatoid arthritis," Mr Allars comments. It also had an experienced entrepreneur, Alan Goodman, now chief executive of PT, leading the project.

With other projects, Prelude looks to mitigate the risk by diversifying into drug delivery and medical devices, which can *be brought to market in only* five to seven years.

Mr Allars says that Prelude will continue to pursue its strategy of seed financing. Although the cash returns have not come through, soaring valuations can bring in fresh investors. The carrying value of the fund has increased two-fold to £12.5m since it was launched five years ago.

Mr Allars is optimistic on the future of the venture capitalists' relationship with the biotechnology industry. Financial markets are increasingly amenable to the sector, he says. In the UK alone, the London stock exchange is more *accessible to young companies* under its Chapter 20 rules, and the Alternative Investment Market was launched earlier this year. The planned European Easdaq system, modelled on the US Nasdaq, will buoy the sector further, giving biotechnology companies more than one option for selling off stakes and raising capital.

Lucy Clarke is editor of FT Biotechnology Business News

■ **Diagnostics:** by Motoko Rich

Search for early symptoms

Prediction and prevention of potential sickness is a growing focus of medical research

The term biotechnology usually conjures up images of white-coated scientists buried deep within cluttered labs, hovering over test tubes and microscopes to find a cure for cancer.

While many of the largest and most successful companies are developing new drugs, an increasing number of businesses are entering the diagnostics field, where science is used to discover what – rather than how – to cure.

In the diagnostics field, biotechnology also ventures outside the medical field altogether, as an emerging sub-sector of the industry develops systems to detect microbial contamination in manufacturing environments and *consumer products*.

For investors, diagnostics is a relatively unexplored field. Less than 10 per cent of all investment in UK and US biotechnology companies is in diagnostics groups. "It is a bit of a *side line*," *says Mr Robin* Gilbert, analyst at Panmure Gordon. "When you are trying to detect a disease and you make a small improvement in the test it does not have the same impact as a small improvement in a medicine."

"I think the drug side of the industry tends to be more glamorous," admits Mr David Shaw, founder, chairman and chief executive officer of Idexx, the US veterinary and environmental diagnostics company.

However, some investors who are wary about risking their investment on something as risky as drug discovery may be more prepared to invest in diagnostics, which can provide a more stable track record.

"In biopharmaceutical companies, one or two products can make or break the company," says Mr Shaw. "They are attempting to hit a homerun with a drug. But in the diagnostics business, there are not too many homeruns to hit," he says, comparing biotech to baseball.

Diagnostics companies are less dependent on blockbusters and more adept at developing core technologies and large product portfolios. Idexx, for example, has more than 100 products for sale.

According to Celsis, the UK environmental and industrial diagnostics group, the *fact that* it is developing products with multiple applications may attract atypical investors. "We have people who are not classic biotech holders who hold our stock," says Mr Mark Clement, Celsis's finance director.

Investors are also attracted by the fact that they are not betting on hope for as long. "The advantage of diagnostics *is that it is a quicker route to* market than pharmaceuticals," says Mr Michael Bourne, founder of Reabourne Investments, a joint venture between Mr Bourne and Rea Brothers, the banking and investment management group, which will be investing in technology stocks.

Idexx, for example, brought out its first product within a year of founding the company, while biopharmaceutical companies are resigned to taking seven to 10 years before their first drug appears on the market.

"Diagnostics tends to be less capital intensive," says Mr Bourne. "But you tend to need a much larger distribution network for your product."

Celsis has been building up a distribution network through corporate partnerships with consumer products' giants who will use the company's products to test for contaminating micro-organisms in make-up, food and other end-user goods. So far it has signed deals with companies like Unilever, Colgate Palmolive, and Procter & Gamble. "This is more of a marketing story than a biotechnology story," says Dr Erling Refsum, analyst at Yamaichi International in London.

However, Mr Bourne warns: "Celsis does not have the market to themselves." In the UK, it competes directly with Biotrace, another biotechnology company which uses similar technology for the detection of micro-organisms in laboratory environments and end products. Idexx also works in the same markets, and E Merck of Germany owns a diagnostic subsidiary, bought recently *from Amersham, the UK* health sciences group, which uses the same kind of technology. Dr Erich Blumenstock of E Merck says: "There is very severe competition and we can see some price erosion."

> At least 20 big companies are contesting this growing market

But competition is even more keen in the field of clinical diagnostics, where hundreds of companies are developing technology to test for various disease states. "The clinical diagnostics market is over-crowded, with at least 20 big-name companies contesting the market and a number of minnows as well," says Mr Ian Broadhurst, analyst at BNP Capital Markets. Abbott Laboratories is the world leader in diagnostics, but heavy-hitters such as Bayer, Johnson & Johnson, SmithKline Beecham and Hoechst all have diagnostics divisions.

Few diagnostics companies are making acceptable returns, says Mr Broadhurst. "Abbott is probably the only one that is consistently making decent returns," he says.

Patenting is one of the most difficult challenges for the industry. "It is very difficult to build up a strong proprietary position in clinical diagnostics," says Mr Gilbert. "If you are launching a diagnostic test in the clinical market I think you are likely to find that someone else *is in there fairly* quickly using a slightly different method."

But Mr Glen Travers, chairman of Cortecs International, the UK-based biotechnology company, says the clinical diagnostics market is changing. The predominant form of medical diagnostics is in immuno-assay systems which can detect a number of disease states by looking for *indicators, usually in the blood*.

To date, says Mr Travers, diagnostic companies have focused on systems which use fairly common indicators, such as insulin, which can predict the presence of diabetes. Because *these indicators* were discovered so long ago, they are in the public domain and are non-patentable. While the machinery and method of using the indicators is patentable, these can easily be improved by the competition. "Companies are just able to develop better and faster machinery, but they do not have any unique indicators," says Mr Travers.

What newer companies, such as Cortecs, are trying to do is to find new indicators, replicate them, and patent them. By doing this, Mr Travers says, they effectively close out the competition. Cortecs learned that a Danish research team led by Professor Claus Christiansen of the University of Copenhagen had discovered an entirely new indicator in the *human body which could be* used to identify a patient's potential to develop osteoporosis, the bone destroying disease common in menopausal women.

By replicating and patenting the indicator – or in this case the antigen which causes osteoporosis – Cortecs was able to develop a test for detecting the disease, even if symptoms have not yet appeared.

"If you find a unique marker, you can patent it and potentially carve out a lasting market," says Mr Travers. "This is a sea change in the industry."

In some cases, however, the technology may not yet be sophisticated enough to take these companies into a growth spurt. In Cortecs' case, its leading diagnostic, Helisal, used to detect the presence of Helicobacter pylori, the most common cause of peptic ulcers and gastritis, is extremely effective *in detecting the bacteria before* and while a patient develops an ulcer. But after a patient receives treatment, the test will still give positive results even after the bacteria have been eradicated for about nine months after treatment.

Mr Gilbert says such defects mean that the diagnostics market is not yet a surefire earner. "I am not certain that companies have actually developed the technology yet," *he says*. "But we are in a very exciting phase of diagnostic development. In the next five years the companies probably will develop the technology, and then it will be truly exciting."

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BIOTECHNOLOGY

Billions spent on global quest for wonder cures

Biotech companies turned the tables this year on the pharmaceuticals manufacturers. But the real test will be in 1996, says Daniel Green

The biotechnology industry has had its best year since 1992. Share prices in the sector almost doubled over the summer months bringing relief to an industry that has struggled for three years to raise enough cash to keep researching new medicines.

The flood of investor money into the sector had two immediate effects. First, there was a spate of cash calls as companies took the opportunity to refill their bank balances.

Biotechnology companies raised $2.25bn through public and private offerings, venture capital and partnerships with pharmaceuticals companies. This was more than was raised in the previous four quarters combined, according to figures from Burrill and Craves, a private merchant bank in San Francisco specialising in the biotech sector.

Second, the balance of power in talks with potential strategic partners in the pharmaceuticals sector swung towards the biotech companies. Deals were signed that startled analysts with the scale of potential revenues committed to the biotech side.

This is an abrupt reversal of fortunes in the sector. A year ago, many of the 1,300-plus biotechnology companies, mostly in the US, were close to running out of money. Several agreed mergers. There were one or two bankruptcies. D Blech and Co, a New York stockbroker that specialised in biotechnology stocks, collapsed; Blech had built a reputation for taking biotechnology companies public and taking stakes in them when share prices fell.

The reasons for the turnaround lie in the peculiar financial structure of industrial biotechnology.

Share prices and investor confidence affect biotechnology companies more than businesses in most other sectors because investors, rather than product sales, provide most of the income for the vast majority of biotech companies.

It takes between five and 10 years to take a new drug from laboratory research, through animal tests and the three phases of human clinical trials to regulatory approval. Until the end of that period, each biotech company needs repeated infusions of money to keep going. Only when confidence is high and share prices are rising can biotech companies count on finding investors to keep them going.

The fortunes of the industry last reached a high watermark in 1991-92. The main reason then was the success of Amgen, a California company founded in 1980. When Amgen's sales took off in the early 1990s, investors poured money into the sector in the hunt for the next Amgen.

But investors quickly discovered the risks of the sector. Several of the most hyped companies saw their drugs fail in the last stage of clinical trials. Their share prices collapsed and investor pessimism spread across the sector.

Today, Amgen is in the premier league of the pharmaceuticals industry with a market capitalisation of more than $11bn, roughly the same as Zeneca of the UK or Warner-Lambert of the US. But no other biotechnology company has remotely emulated its performance.

The mood was changed by two other factors. First, was an acceleration in the number of partnerships between biotechnology companies and the pharmaceuticals industry. Most involved the drugs companies taking equity stakes at significantly higher prices than the share price in the stock market.

The pharmaceuticals industry interest in the biotech sector is a consequence of its own rapid consolidation. One way to cut costs in the pharmaceuticals industry is to drop the least promising research programmes. In an effort to maintain the chances of finding the blockbuster drugs of the 21st century, drug companies have turned to biotechnology partnership as a cheaper way of hedging research bets. In some cases, such as that of Smith-

> Drug firms have linked up with the biotech companies to discover the 21st century's blockbuster remedies

Kline Beecham, the UK pharmaceuticals company, more than 140 such partnerships have been agreed.

Second was success in final stage clinical trials by some drugs that had been overlooked by many investors. In particular, drugs from the Pennsylvania company Cephalon and California's Gilead proved so successful in the last stage of clinical trials that final approval by regulators became very likely.

These two companies led the charge for investor cash with Gilead raising $82m in August and $84m going to Cephalon.

They were not alone. Also raising $50m or more were Autoimmune, Human Genome Sciences, Northfield Laboratories, Sepracor and more.

"The first principle is that you raise money when you can," says Mr Peter Johnson, chief executive of California's Agouron.

At the end of June 1995, his company had $20m in cash. In July it published promising results of trials with its two main drugs, in cancer and HIV. By the end of September, the company had $117m.

Johnson concedes that this conjunction of events was "fortunate", and that if the stock market had not been in a mood to pay up "our future would have been very different: we would have had to compromise our position of keeping commercial control over our products".

This means that he would have had to sell part of the company's rights over its products to a pharmaceuticals company. Such deals are "hazardous", he argues, because of "the changing agendas of big companies".

Not everyone in the biotechnology industry shares Mr Johnson's wariness of alliances with the pharmaceuticals industry. Many other companies have taken advantage of the desire on the part of capital market investors to put money into biotechnology to extract good deals from pharmaceuticals companies.

Amylin, another Californian company, raised only $20m from capital markets but at the same time signed a deal with US company Johnson & Johnson that could be worth more than $200m over the next few years.

Amylin specialises in a hormone called amylin which plays an important role in diabetes.

J&J is building up a broadly-based business in diabetes with its own diagnostics division, Lifescan, and an alliance signed in June with Denmark's Novo Nordisk, which has drugs on the market.

The strength of the biotech partner in this case is evident in the structure of the deal. Whereas in the past, a typical biotech-pharma deal would involve royalty payments of 10 per cent or so of sales, Amylin's deal with J&J is a 50:50 split of profits. The profit margin on a mature big selling product is more than 50 per cent.

The deal "by the standards of all prior biotech agreements was extraordinary", say analysts at UBS Securities in New York. Other analysts echoed this view.

Since then, there have been other super-large deals. Last month, Hoechst Marion Roussel, the German controlled US-based company which is one of the world's top three drug companies, signed a deal with the tiny Cell Genesys of California in which the biotech company will earn up to $150m over several years from the collaboration. There was champagne for breakfast at the company's laboratories in Foster City, California.

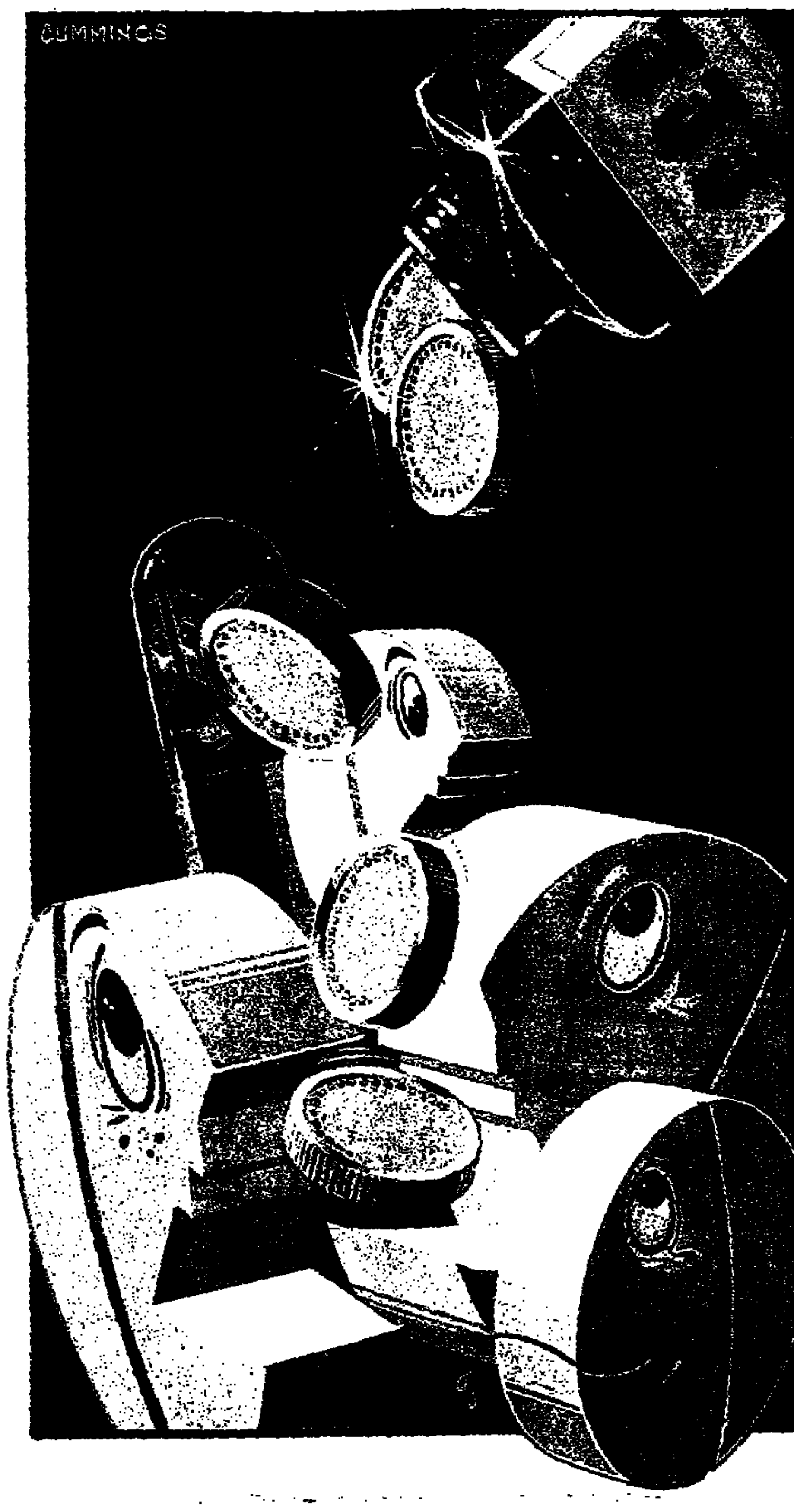
According to Mr Steven Burrill, of San Francisco biotechnology finance house Burrill and Craves, such deals represent not only the power of the biotechnology companies but a route to a more stable kind of business model.

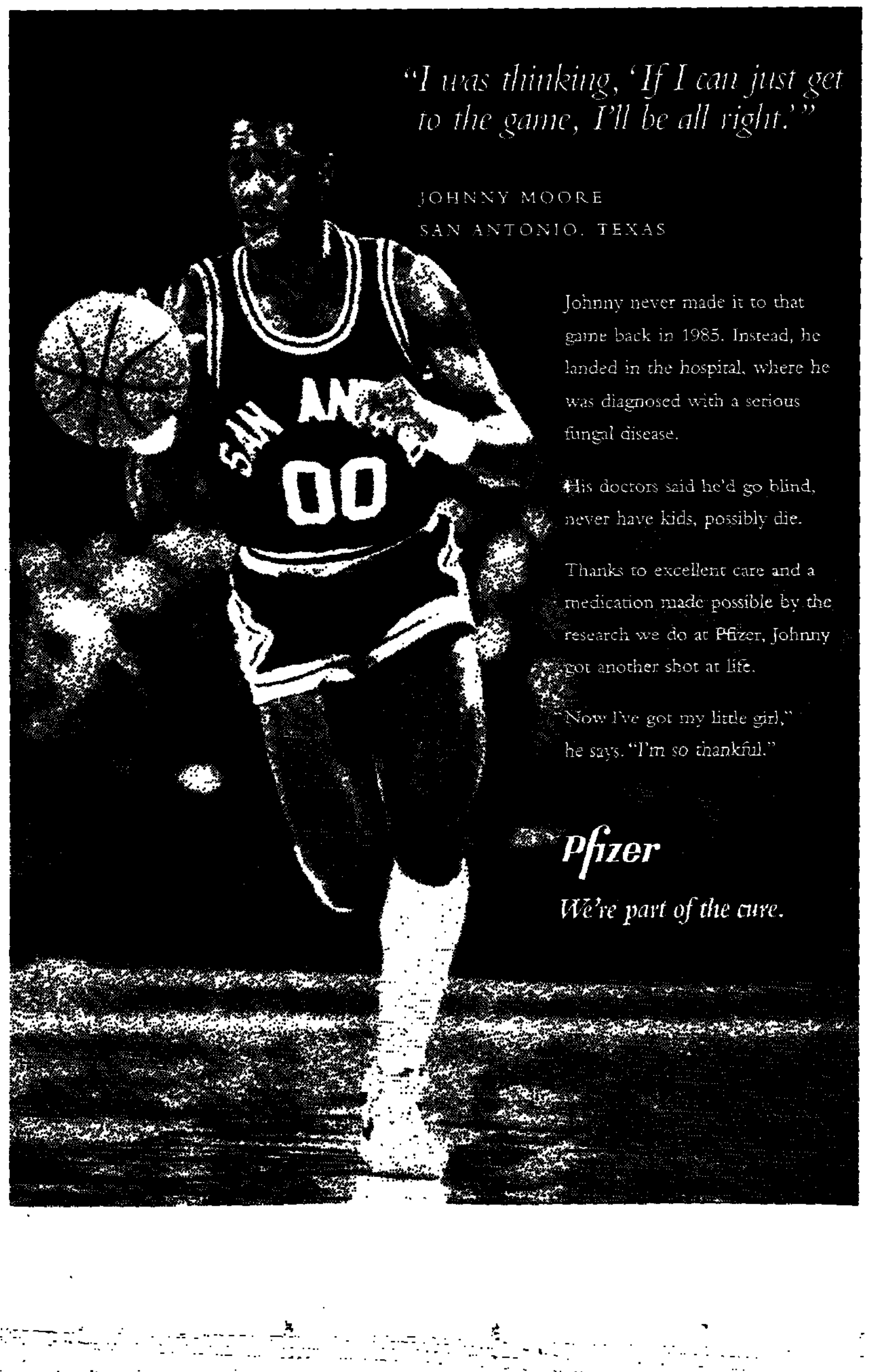
He says that in the past, many biotechnology companies have seen themselves becoming either Fipcos – fully-integrated pharmaceuticals company such as Amgen – or Ripcos – royalty income pharmaceuticals companies such as Alza of California or Biogen in Massachusetts.

"There are many points between those two models," he says, adding that choosing the right one should provide a company with "sustainability", that is the ability to ride out the next dip in investor confidence.

That dip may already have arrived, according to Ms Marjorie Sennett, Amylin's chief financial officer. Stock market figures back her suggestion: biotech sector share prices are now more than 10 per cent below their peaks for the year.

Although 1995 is still likely to turn out to have been a vintage year for the sector, those companies that failed to take advantage of it may be out in the cold in 1996.





■ **Floating a new company:** by Motoko Rich

Stock markets open the door

Wall Street is no longer the only launchpad for shares in new biotech companies

A week before Oxford Glycosystems, the UK-based biotechnology company, was to file its application for a listing on Nasdaq in New York last year, the market fell and the group backed out of its flotation plans.

"We were prepared for it, but the market started dipping, the window started closing, and we realised there would be no point in filing," said Mr Geoff Brooker, finance director. "So it is in my pending tray."

Oxford Glycosystems is one of many biotechnology companies which have been at the mercy of the sector's volatility. Just as in politics, a week can be a long time in biotechnology, and a few months can add or subtract £50m from a market value upon flotation.

Last year, Cortecs International, for example, was forced to postpone its London Stock Exchange listing (it is also listed in Australia and on Nasdaq) because of market conditions. "An exercise which we expected to take a few weeks got dragged out and took several months," said Dr Michael Flynn, president.

But increasingly, companies believe that analysts and investors now are more discerning, judging each company in its own right, rather than just as one of the crowd.

"The UK market is already differentiating between companies," said Mr Mark Clement, finance director at Celsis, the environmental and industrial diagnostics company. "It is not covering a blanket over all the biotech stocks, but is differentiating between strengths of different management teams and business contexts. A year ago, if there had been a problem with a blue-ribbon company, most of the sector would have been brought to its knees."

In addition to more understanding markets, the companies now have several options of where to list. Only a few years ago, Nasdaq was considered the only natural exchange for biotechnology companies in need of more liquidity.

> There are 13 companies listed on the London SE

Oxford GlycoSystems, which is investigating the therapeutic potential of carbohydrate-based pharmaceuticals, has revived its flotation plans and is now preparing to list within the next two years. But since it made its first attempt, the group has widened its horizons, and is now looking at several potential stock exchanges, including London.

When the group first started considering a flotation, in late 1993, it believed its only option was Nasdaq. Mr Brooker said that London Stock Exchange rules would have barred the group from listing at the time because it could not meet the exchange's criteria on its therapeutic side. In addition, the company believed London could not provide it with the liquidity it needed.

"My understanding of the market was that until we reached a market capitalisation of £150m to £200m, there would be very limited liquidity," said Mr Brooker. "And the London markets were not particularly favourably disposed towards biotech in 1993."

Now the London market has woken up. There are 13 biotechnology companies listed on the stock exchange who are members of the Biotechnology Industry Association, with a further two listed on the Alternative Investment Market. At least three more have indicated that they will float in the next 12 months, including Peptide Therapeutics, which was being floated this month.

London-based equity analysts have also become aware of the emerging biotechnology sector. "When I first started talking to funds back in 1992 and 1993, they did not have the biotech specialists," said Mr Brooker. "It used to be that the further west you went, the quicker your story was understood. So you had to tell it several times in London, once in New York, and they were already ahead of you in California. Now London has levelled out and is much quicker."

However, Mr Charles Floe, executive director in corporate finance at Lehman Brothers in London, said Nasdaq was still the most sophisticated market for biotech. "London is not nearly as broad and deep a market as Nasdaq, but by and large UK companies have been treated better in the UK than they have on Nasdaq."

UK companies seeking to float in the next year may also take advantage of the fact that British investors could be looking for a second wave of biotechnology issues to round out their portfolios. Having seen that they could make money with the early flotations of British Biotech, Celltech and Scotia, investors are looking for smaller, newer opportunities. "Many institutions seem to be looking for new issues so they can skim off the profits they have made from older biotechs and put them into new ones," said Dr Tony Martin, chief executive of Microbics, the environmental diagnostics company which plans to list next year.

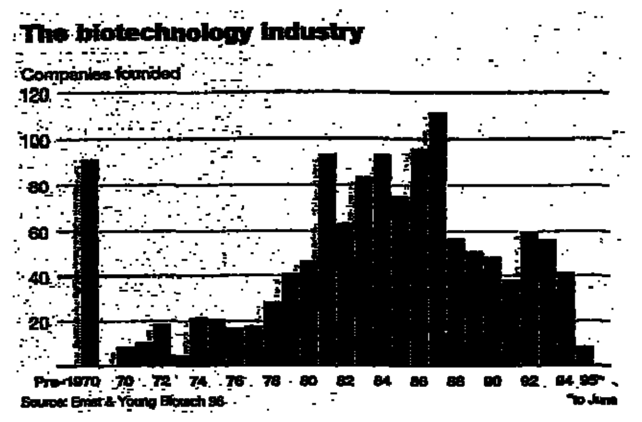
However, the recent buoyancy of the London market may have left companies who are planning to float in the next few years too sanguine. Mr Floe believes the market has not really been tested since the early part of the year, when a series of clinical trial failures scared off investors.

"The market is still somewhat fragile here," he said. A bad clinical trial result could "still affect the ability of companies to finance".

To avoid being classed with the crowd, companies need to prove that their fortunes rest on more than one or two drugs, according to Dr Paul Harper, chief executive of Cambridge Antibody Technology, a company which believes it has the technology to make fully human antibodies.

"Companies increasingly have to have more than a smart lead product," said Dr Harper. "They have to have more than one idea – which could be several products so that if one falls through there are several running behind it, or a technology platform or manufacturing process that can serve as a cash cow."

Timing is also important; companies who try to float too soon may find their listing pulled. "Given that there are dozens of companies loosely called biopharmaceutical companies, there does have to be a genuine business plan and a track record of success at the research and early clinical stage," said Mr Charles Batten, director at Kleinwort Benson Securities, which has raised $400m for biotechnology since 1992. "Clearly they have to achieve some milestones before flotation."




Glaxo research centre, Stevenage: finding the right formula

Areas of development – projects in progress

	Phase I	Phase II	Phase III	Nda/Pla*	Approved
Aids	12	27	5	3	0
Blood substitutes	2	4	0	0	0
Cancer	38	46	22	3	5
Cardiovascular	11	16	8	0	2
Cystic fibrosis	2	2	0	0	1
Dental illnesses	2	0	3	0	0
Diabetes	4	4	2	0	2
Intestinal disorders	2	1	0	0	0
Hematology	4	10	6	3	4
Immunology	15	28	13	1	3
Infectious diseases	11	22	20	2	5
Metabolic diseases	0	3	3	3	5
Neurology	17	15	14	2	1
Ophthalmics	5	6	6	0	0
Orthopedics	0	0	2	0	0
Osteoporosis	1	3	2	0	0
Respiratory	2	2	2	0	0
Skin disorders	2	8	4	0	0
Urology	0	0	2	0	0
Wound healing	6	2	9	1	3
Women's health	3	0	2	0	0
Other	5	6	2	0	2
TOTAL	144	205	127	18	33

* New drug/Product licence application. Source: Goldman Sachs survey of 158 companies

■ **Remedies of tomorrow:** by Lucy Clarke

New drugs in the pipeline

Biotechnology companies are spending $4bn a year on devising future remedies

The biotechnology industry is expected to supply around half the technology for the next cycle of new drugs.

At present, biotechnology companies spend $4bn a year on research and development – and this figure is rising. The pharmaceutical multinationals, on the other hand, invest $8bn a year on research alone, and their expenditure is falling.

Furthermore, a biotechnology drug is cheaper to develop – around $400m, $200m less than a traditional drug, because of the smaller fixed cost base.

The biotechnology sector is targeting breakthrough products for diseases that are poorly treated with today's therapies, such as Aids, cancer, Alzheimer's and sepsis, "which is why the drugs companies are aggressively accessing these products through alliances", says Lehman Brothers analyst Ian Smith.

Among the biotech products in Phase III trials approaching tomorrow's market, the sepsis treatment, Celltech's Bay-x-1351, is attracting particular interest because "to get a product that works will mark the end of a long period of failure", comments Dr Smith.

Centocor's Centoxin and Synergen's Antril were major disappointments in sepsis earlier this decade, and British Biotech's lexipafant for the same indication was discontinued in Phase II development in November 1994.

Lexipafant could, however, prove beneficial in acute pancreatitis, another poorly controlled disorder. British Biotech is currently recruiting patients for a Phase III clinical trial scheduled to begin next year. Lehman Brothers forecasts peak sales of $75m.

Other new classes of drugs include the matrix metalloproteinase inhibitor, batimastat – again from British Biotech – for the treatment of malignant pleural effusion. This has the distinction that it could, in theory, be used in a wide range of cancers, Dr Smith notes.

British Biotech is also developing other MMPIs: the cancer drug, marimastat, which is in Phase II trials (launch forecast in 1998) and for which Lehman Brothers projects sales of $100m; and BB-2983, for cancer and multiple sclerosis.

BB-2983, which has not yet entered the clinic, is a dual action inhibitor of matrix metalloproteinase and tumour necrosis factor production. It is also licensed to Glaxo Wellcome for arthritis, with an option to develop it for inflammatory bowel disease, Crohn's disease, and osteoporosis.

> A new oral drug is being devised for treating osteoporosis

Isis Pharmaceuticals' ISIS-2922, for the treatment of CMV retinitis in Aids patients, is the first of a new wave of antisense drugs.

Antisense therapy involves inhibition of gene expression by treatment with short stretches of nucleic acid, which bind to RNA or DNA.

Cortecs is targeting the growing osteoporosis market with the first oral presentation of a peptide drug, calcitonin. Although it is only in Phase II testing at present, it is expected to reach the market in 1997 and could achieve sales of $150m.

Chiroscience's non-steroidal anti-inflammatory, dexketoprofen, has just been approved in its first market, Spain. It is a landmark product because it is the first drug from a UK biotechnology company to be granted approval. Dr Smith forecasts peak sales of $100m.

The cost of development: by Daniel Green

Mountains to climb

It takes up to 10 years and $400m to develop a new drug and bring it to market

Biotech companies are like a bath in the proverbial children's maths question: how much water does it take to fill a bath whose plug has been pulled out? Except that for biotechnology, read "money" instead of "water".

The problem is that it takes five to 10 years to take a drug from the drawing board in a research laboratory through animal and patient trials, past the regulatory authorities to the market.

And it costs $200m to $400m to push a drug through that process. The money is needed to pay an ever increasing payroll of specialists in lab work and then clinical trials works along with manufacturing, quality control and later sales and marketing.

Only at the end of the process does a drug begin to win sales that allow its developer to start paying off the huge accumulated debt.

So biotechnology companies must raise money repeatedly as well as try to manage their science. There are many ways of securing finances and all have pros and cons.

The simplest route is to go it alone. The money is raised by a series of share offerings sold on the basis that the value of drugs increases as they progress. The attractiveness of this approach is clear: the company keeps control of its destiny and hangs on to the fortune that a successful drug can earn.

But there are many disadvantages. The company, its investors and employees lurch from one period of investor confidence in the sector to another. There may be years of uncertainty in-between.

On top of that, each share offering dilutes existing shareholders. Besides, the method only works if the drug eventually generates enough sales to repay the accumulated debt and investors.

If management gets its cash raising timetable wrong, or if the drug does anything but wonderfully well in all clinical trials, the company will have to cut costs and jobs and could disappear entirely.

In 1991-92, when investors were last enthusiastic about the biotechnology sector, many companies raised, and spent, a lot of money.

According to Mr Ted Greene, who has set up several US biotechnology and medical companies including Amylin, Pyxis, Cytel, Vical and Biosite, many companies spent the last three years trying to control the cost base they set up when flush with cash.

This year has seen another round of cash raising, but companies are more determined to keep costs under control.

"This time we are encouraging management to maintain tight focus and using the money productively in their programes rather than start new programmes," says Mr Jeremy Curnock-Cook, who advises two quoted biotechnology investment companies, the International Biotechnology Trust and Biotechnology Investments Limited.

> The simplest way to raise cash is for a company to issue shares and so keep control of its research

Cost-control is applauded by all companies in the sector, but for many it is not enough just to dampen the rate at which cash is burned.

Companies such as Celltech of the UK and Amylin in the US have spread much of their financial risk through partnerships with pharmaceuticals companies.

Amylin has a deal with Johnson & Johnson under which the two companies will share profits from the drug equally. J&J is paying for product licences, half the cost of the drug's development and all of pre-launch marketing costs, making a loan and taking an equity stake.

The result, according to Ms Marjorie Sennett, Amilyn's chief financial officer, is a structure designed to "eliminate the financial risk", that is the risk that the company will run out of money.

The disadvantage of this strategy is that the "maximum upside" if the drug is successful must be shared with someone else.

But investors have found that the lower risk run by companies that have several alliances is attractive. The maximum upside for a small company is still large enough to multiply the value of a company many fold.

So, encouraged by investors, biotech companies have come up with more ways to generate income.

Celltech, for example, has created an entire business out of supplying specialist chemicals.

Celltech Biologics, now a wholly owned subsidiary, made an operating profit of £2m on sales of £14.2m in 1994. That kind of performance is likely to allow the company to proceed to commercialisation of its drugs without further need to come to the stock market for more cash.

Ciba healthcare research: partnering is the best way to reduce risk

Some biotech companies have gone even further and constructed sales and marketing divisions that will later be of direct use to the main thrust of the company.

Companies such as Cocensys, Athena, and Cephalon in the US and Amrad in Australia have licensed products from other companies for sales forces of their own.

The result is a stream of cash from product sales and a sales force that should be ready for a new product from the company itself when the time comes.

"We have licensed-in from big pharma companies which are more focused on big products," says Mr Daniel Korpolinski, chief executive of Cocensys. "And we are using the sales to offset our burn rate."

While this may sound like an ideal strategy, it is only likely to be adopted by a few companies for two reasons.

Firstly, there are some diseases more suited to small sales forces of the kind that biotech companies can afford. They are those where relatively small numbers of specialist doctors prescribe most of the drugs. They include nervous system diseases, cancer and Aids.

Mr Korpolinski, a former pharmaceuticals industry marketing man, says he chose Cocensys precisely because it was in such an area – nervous system drugs.

Secondly, some management feel they must devote all their energies to creating their products. "It is a question of management focus," says Mr Peter Johnson, chief executive of Californian biotechnology company Agouron, which has tried its utmost to limit its activities outside developing its own drugs on its own.

UK company British Biotech, also wants to keep as much of its products as it can. Its strategy is only to find partners in peripheral applications of its medicines while keeping sales for cancer treatment for itself.

In spite of the efforts of the likes of British Biotech and Agouron, the strategy that risk should be reduced through establishing a series of partnership is now the dominant one in the sector.

Mr Korpolinski sums up the strategy: "Partnering is the best way to go not only because of the partner's resources and infrastructure, but because growing to the equity market dilutes yourself."

His words contain the essence of today's biotech sector strategy: address the investors' desire to control risk. The money markets are once again prepared to pour cash into the sector. But not unless they feel reassured that someone is in control of how fast it drains out again.

Strategic alliances: by Clive Cookson

Transatlantic courtship warms up

Pharmaceutical giants in Europe are weaving a web of intimate links with US biotechs

Large European pharmaceutical groups are developing an increasingly close symbiotic relationship with the US biotechnology industry. They are weaving an extensive web of strategic alliances, investments and research contracts with biotech companies on the east coast, west coast and – to a lesser extent – in between.

The relationship is essential for both sides. The biotech companies receive vital funding for their research and development programmes, at a time when few have sales income from products on the market; almost as important is the boost to their image in the eyes of the financial community from a deal with an international drugs company.

The European giants gain access to an entrepreneurial R&D culture that hardly exists on their side of the Atlantic. They tap into the American science base. And they bring in techniques for drug discovery, such as combinatorial chemistry and genetic engineering tools, as well as specific products for development.

The links will grow as companies devote an increasing share of R&D spending to external collaborations. Glaxo Wellcome of the UK, the world's largest drug company, said this month it would maintain its R&D budget at the current level of £1.2bn a year, while cutting R&D staff by 2,000 to 9,500, partly by redirecting some expenditure from in-house to external work.

As Sir Richard Sykes, Glaxo Wellcome's chief executive, said, "we will form partnerships and alliances to maximise our capabilities in all parts of the business. We cannot hope to do all the R&D on our own."

The group now has strategic research alliances with 10 biotech companies "which have knowledge of a specific disease area complementary to Glaxo Wellcome expertise and drug discovery programmes" *(see table)*. It expects to form more.

Glaxo Wellcome Strategic Research Alliances (November 1995)

PARTNER COMPANY	FIELD OF INTEREST	THERAPY/DISEASE AREA
Gilead Sciences	Genetic blocker compounds	Cancer and other
Glycan Pharmaceuticals	Chemokine binding	Inflammation
ICOS Corporation	Phosodiesterase inhibitors	Cardiovascular diseases etc
Ligand Pharmaceuticals	Intracellular receptors	Cardiovascular
Megabios Corporation	Gene therapy	Cystic fibrosis
NeuroSearch	Calcium activated membrane potassium channel blockers	CNS disorders
Regeneron Pharmaceuticals	Neurotrophins	Neurological/psychiatric disorders
Sequana Therapeutics	Genetics	Type II diabetes
Spectra Biomedical	Genetics	Migraine
Vertex Pharmaceuticals	Protease inhibitors	HIV disease

Interestingly, while all 10 of Glaxo Wellcome's corporate partners in strategic research are in the US, it is also working with 50 universities and academic institutes – and these are scattered around the world, from Singapore and South Africa to Europe and north America.

Some other European companies have formed even more transatlantic alliances than Glaxo Wellcome. The three big Swiss companies, Ciba, Roche and Sandoz, have been particularly active, both in the size of their deals – notably Ciba's acquisition a year ago of 49.9 per cent of Chiron for $2.1bn – and in their number.

According to a study by Margaret Sharp, senior research fellow at the Science Policy Research Unit, University of Sussex, Ciba has 29 alliances with US biotech companies (17 formed since 1990) and Roche has 27 (10 since 1990). Sandoz got going more slowly but now has 18 alliances, of which 14 have been created since 1990.

"One reason why the European companies go to the US is that they know what is happening there better than they know what is happening elsewhere in Europe," says Mrs Sharp. "If they cannot find what they want in their own country, they go to the US because it is so transparent."

The annual review by Ernst & Young of the US biotech industry, *Biotech 96: Pursuing Sustainability*, reports that "the courtship between European pharmaceutical and US biotech companies heated up this year. The big pharma/biotechnology merger can be a match made in heaven: biotechnology gains the financing and downstream expertise of the pharmaceutical giants, and they in turn obtain biotechnology's innovation."

The favourite theme of pharma/biotech alliances recently has been human genetics. SmithKline Beecham took the lead in 1993 with its $125m agreement with Human Genome Sciences of Maryland. Since then, several other pharmaceutical groups have formed alliances with companies that specialise in sequencing genes and discovering their functions. Roche, for instance, has a $70m alliance with Millennium Pharmaceuticals, covering genes that play a role in obesity and diabetes.

A quite different enabling technology, which has been much sought after by pharmaceutical companies over the past year, is combinatorial chemistry – a way of generating a previously unimaginable diversity of molecular structures for drug discovery. Glaxo paid $533m for Affymax, the largest combinatorial chemistry company, and several other companies made smaller deals in this field.

Another trend is the expansion of individual pharma/biotech alliances into consortia. The large pharmaceutical company sits at the centre of a web of alliances, all with a common scientific theme.

The best example so far is RPR Gencell, a network of 14 companies and research institutes which Rhône-Poulenc Rorer, the French-American pharmaceutical group, set up late last year. It is focusing on cell and gene therapy. RPR spent about $300m setting up the network and is spending about $100m a year on R&D through Gencell.

As Mrs Sharp points out, European pharmaceutical companies have been more active than their Japanese counterparts in forming alliances with the US biotech industry. During the first half of the 1990s, US biotech companies have formed about twice as many alliances with European as with Japanese partners.

So far, in Mrs Sharp's view, the US has gained substantially through the European investment in its biotech companies. The American science base has been strengthened and new high-tech jobs created as a result.

Whether Europe will also benefit remains to be seen, she says. That will depend on the extent to which the multinationals can transfer knowledge and skill from the US back to their "home laboratories" in Europe.

The Science of Nations: European Multinationals and American Biotechnology, by Margaret Sharp, SPRU Publications, Mantel Building, University of Sussex, Falmer, Brighton BN1 9RF. Price: £5

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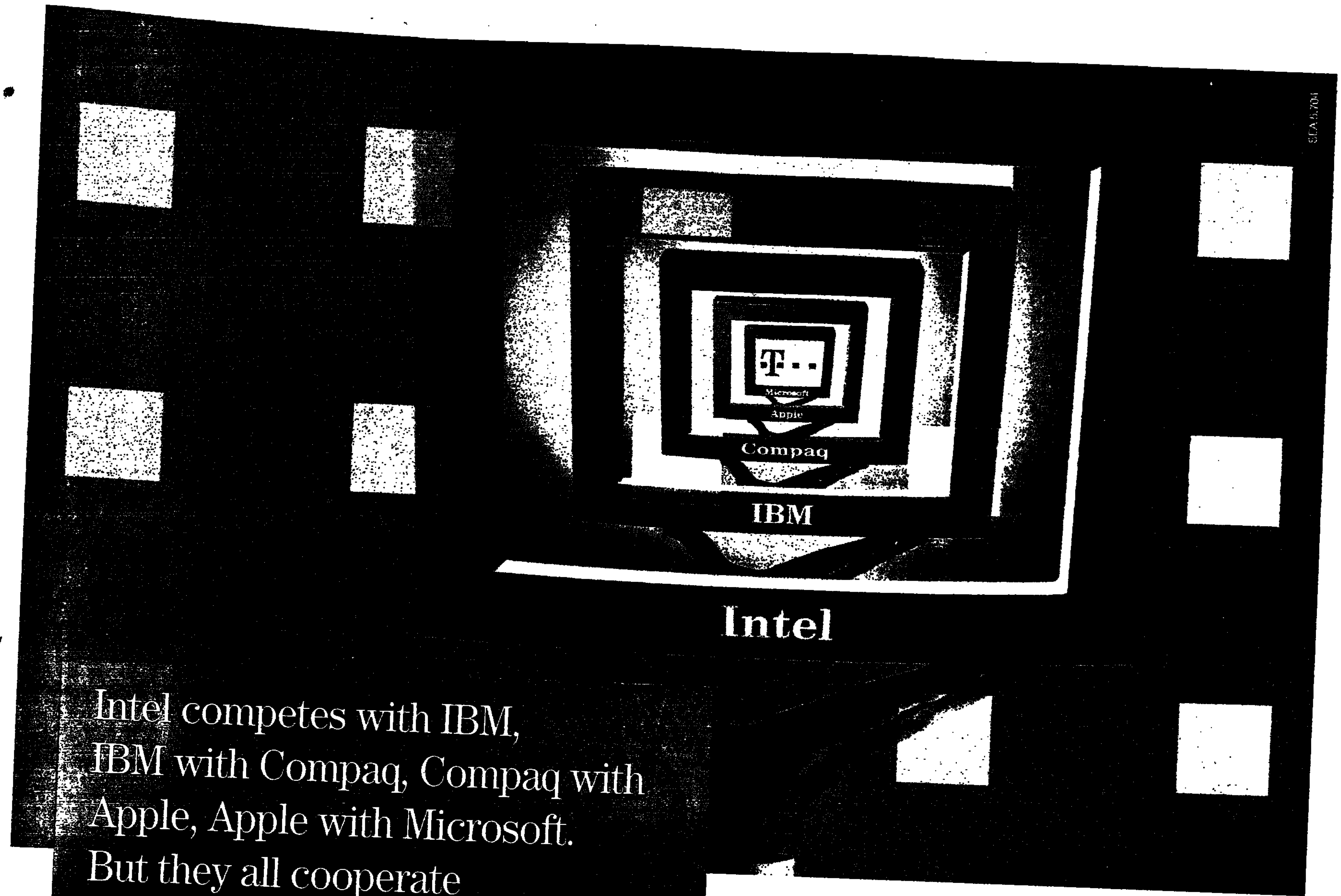

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